DAILY MARKET LETTER

MEMBERS:
CHICAGO BOARD OF TRADE
NEW YORK PRODUCE EXCHANGE
NEW YORK COCOA EXCHANGE
NEW YORK COFFEE AND SUGAR EX.
COMMODITY EXCHANGE INC.

UHLMANN GRAIN COMPANY
TELEPHONE HARRISON 6282
141 W. JACKSON BLVD.

MEMBERS:
MINNEAPOLIS CHAMBER OF COMMERCE
WINNIPEG GRAIN EXCHANGE
DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO January 2, 1940.

The New Year finds us with ample stocks on hand practically everywhere. It is true that the Argentine is harvesting the smallest crop in many years, but yet, including the carryover they will probably have total supplies of 214 million in comparison with a normal crop in that country of 250 million bu, so with the slightly better yields in Australia, the Southern Hemisphere, taken as a unit, will no doubt be able to furnish almost as much for export as in normal times. There is still a very unusual situation in Canada, with the visible supply about 183 million bu greater than a year ago, and country marketings have been near a record, with 360 million bu moved from farms since August 1st. Up to the present time, world shipments to Europe are about 35 million bu smaller than the previous season, and to ex-Europea nations, 10 million bu less, so even with war there has not been an unusual demand. Furthermore, Broomhall has revised his figures this morning pertaining to importers' requirements, cutting them from 584 million bu to 560 million bu, the latter being about average for the past several years. We figure that during the first 21 weeks of the season, world shipments have averaged about 8 3/4 million bu, and conclude that even with the reduced takings during the remaining 31 weeks, shipments would have to average 12,129,000 bu, which still appears to be rather high, and may require another cut before the season draws to a close.

In previous letters we pointed out that because of economies, high freights and difficulties in getting wheat into export channels during the World War, shipments were actually less than they had been during the period just prior to hostilities, and possibly history will repeat itself in that respect. Since July 1st, the actual overseas exports of U. S. wheat and flour have been less than 30 million bu, and we assume that with subsidies suspended, except for some Pacific Coast flour to the Philippines, we shall be eliminated for the balance of the season from the export market. This will undoubtedly give Canada a better opportunity to reduce her stocks and yet, we find that up to the present time, shipments of wheat and flour from that country have been somewhat less than 66 million bu; therefore, there still remains a balance for export and carryover of 387 million bu compared with only 173 million bu a year ago, or in other words, 214 million bu more; so the world will not suffer in any way because supplies are no longer available for overseas trade from the U. S.

30 March 1983

There was very little news over the holiday pertaining to grain except that a few snow flurries were received in scattered portions of the Southwest, but in the more northerly sections, the ground was largely bare of snow covering, with low temperatures and indications for clear and cold to follow, which was probably the impetus for further bullish operations. The trade has in mind that our domestic crop next summer will be below home requirements, and this seems to be the basis for the friendly sentiment which exists.

World shipments were 8,617,000 bu, which was slightly less than last week, and compared with 10 million bu last year, indicating again that Europe is getting along nicely with the reserve stocks which had been built up. However, in all present calculations, Australia is left out, and on account of the war, the amount of the shipments is being withheld, while last year we know Australia cleared nearly 2 1/2 million bu; therefore, some allowance must be made in this direction. The foreign demand overnight was rather quiet, possibly due to the holiday spirit in Europe, if such a thing can exist during war time, but yet, Winnipeg futures were higher, possibly in sympathy with the better tone here.

Our trade was also influenced by a bullish report released by the Santa Fe Railroad, describing the Southwest drought as the worst in history, and the condition of winter wheat in the territory covered by this road was placed at only 40 per cent, but, of course, this was not news in view of the pessimism expressed in the official analysis of the

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crop, but yet, emphasized what might be expected next summer when crops are harvested. It must be added, however, that the snows just after Christmas have brought about some benefits, although no one can tell to what extent improvement has taken place, and it will undoubtedly require growing weather before even approximate estimates can be made.

Primary receipts were light at only 384,000 bu versus 534,00 bu last week and 571,000 bu last year. The visible supply showed a decrease of slightly more than 2 million bu, or nearly the same as last year. Total stocks in all positions are 118,629,000 bu, or practically 4 million bu larger than a year ago. Chicago stocks decreased 155,000 bu, and there are now about 7 million bu in Chicago. There was never any pressure upon the market and gains were accomplished without much opposition. At the last May wheat closed 2 7/8¢ per bu higher, while July wheat advanced 3 1/8¢.

Corn was helped by the stronger undertone in wheat. There are no big accumulations taking place, although the visible increased 1,314,000 bu, but there is, roughly, 5 million bu less in all positions than a year ago.

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CHICAGO MERCANTILE EX.

CHICAGO Jan. 3, 1940.

There has been one thing rather interesting about the present bull market: namely, that the open interest never enlarged to any extent, but in trying to analyze it, we have come to the conclusion that this is at least partially due to the fact that there is practically no arbitrage business between here and Winnipeg, and of course, none between Liverpool and Chicago. Also the many other uncertainties in connection with subsidies and insurance policies of the government make it less attractive to spread between Kansas City and Chicago, or for that matter, between any of the domestic markets, so that the bulk of the trade probably consists of hedges on the one side, which forms the largest part of the short position, and against this is the speculative trade apparently willing to carry the risk. In any event, we find that the open interest yesterday decreased about 1/2 million bu, with prices advancing about 3¢ a bu, but this is a healthy condition as there must have been as much, if not more, profit taking, as new buying that came into the market.

As time goes on, there will be more attention directed toward the moisture situation in the spring wheat area. It will be particularly important this year because even with very favorable conditions in the Southwest, we shall probably only raise a fair crop. Taking the period from April 1st to September 30th, we find that in the four Northwestern states the rainfall was as follows:

	1939	Normal
Minnesota	15.64 inches	18.98 inches
North Dakota	12.30 "	13.51 "
South Dakota	13.16 "	16.40 "
Montana	8.98 "	10.08 "

Since that time moisture has been somewhat below normal in all four states, but nevertheless, not of a serious enough nature, in our opinio to affect next year's wheat crop, unless, of course, it should be unusually dry from this time on. In other words, with average snows during the winter, or at least a fair break when spring rains occur, we feel that normal conditions might easily prevail; therefore, the greatest peril at the present time still lies in the winter wheat situation, damage having already been sustained, and nobody can accurately gauge what the yields are apt to be until we have had some growing weather. Unseasonably low temperatures have prevailed during the last four or five days, but according to the government weekly crop comment, fortunately the eastern and central portions, and much of the western belt, had a snow covering ample for protection, and while the snow melted, it was claimed to provide the needed soil moisture and little or no change is reported in this week's resume. Apparently, they also find it difficult to come to any definite conclusions. The weather map suggests rather general moisture tonight or tomorrow, and of course, this would be beneficial.

After an early rise in prices, the trade took profits, some eve taking the short side, believing that on bulges it was safe to play for reactions.

Primary receipts were just moderate at 411,000 bu compared wit 681,000 bu last week, and 368,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 25,000 bu.

There was no particular trend to wheat, but as mentioned earlier, profit-taking took place because of moisture which is expecte At the last May wheat closed at a decline of 3/4¢ per bu, while July wa 1/2¢ per bu lower.

Corn was fairly steady, but with cold weather there should be a fair amount of feeding taking place, and also from time to time export business is reported.

Rye was reactionary, and we understand that Argentine rye is offered at 6¢ under Chicago May CIF New York. When the import tariff of 12¢ is added to this, rye figures 6¢ over Chicago May in the East, and precludes any important demand from Chicago, and probably also spoils chances for export business.

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CHICAGO MERCANTILE EX.

CHICAGO January 4, 1940.

President Roosevelt appeared before the joint session of the Congress yesterday and made a plea for unity. He also initiated his thoughts on national defense appropriations. Today we have his budget message estimating the net deficit of close to $4 billion in the 1940 fiscal year. He has also asked for new taxes to yield $460 million in 1941, apparently to cover an additional defense and armament program. Should these new taxes be voted, he forecast a gross federal debt of slightly less than $45 billion on June 30th, 1941, so the issue of having to raise the debt limit above the old statutory level may not have to be met.

There were no great surprises, and consequently, the financial and commodity markets paid more attention to other factors. There was a report issued by the Bureau of Agricultural Economics which was very comprehensive in covering statistical data, both present and prospectiv The Department believes (and we think rightly so) that wheat and flour exports will not exceed 35 million bu this season. In view of the fact that subsidies were suspended as of last night, we believe export shipments will henceforth be confined to very small quantities of flour, probably a little from the Pacific Coast where the government is still cooperating to relieve surplus conditions in that territory. The Department apparently figures on a smaller domestic consumption than in recent years, because they are forecasting a carryover of 300 million bu on July 1, 1940. The domestic disappearance during the last ten years averaged about 685 million bu, but due to the gradual increase in population, consumption has been larger the last two or three years than during the first part of that period, and yet, we find that they are looking forward to domestic requirements of only about 660 million bu for the crop year 1940-41. Just how this is arrived at is rather difficult to say, unless they take into account the smaller amount needed for seed.

Should their figures be correct, and assuming a winter wheat production of 400 million bu and a spring wheat crop of 200 million bu, then the conclusion that may be reached is that we shall not find it necessary to cut heavily into reserves. It is also interesting to note that the carryover of old wheat in the U. S. averaged only about 220 million bu in the ten-year period 1929-38, and this included the Farm Board era when excessive supplies were on hand; therefore, we shall end this season with considerably more grain than in a normal year, which will also partially offset the smaller production next summer. Before the Farm Board came into being it was figured that a carryover of 128 million bu was sufficient, but of course, the population has increased; likewise, elevator capacity is considerably greater, so we can probably handle a larger carryover than in former times without too much adverse effect upon values.

There was another interesting item in the President's budget message with more particular reference to agriculture; namely, the allowance for only $904 million for farm programs compared with $1,314 million in 1940. He felt that next year's crops could probably be sol by producers for at least 75 per cent of parity, but if this were not possible, then the parity program should not be abandoned, and that future events might call for additional appropriations. However, these were not presently included when the budgetary appropriations wer considered.

Primary receipts today were small, at only 311,000 bu versus 395,000 bu last week, and 321,000 bu last year. Kansas City and Minneapolis stocks show a total decrease so far this week of 153,000 bu.

The trade was more nervous than in recent sessions. There had also been some fairly good reports from western Kansas, stating a further snow covering, with two to three inches reported in some districts. From Salina we heard that it was snowing quite hard at Hays,

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at least an inch, and it was quite general in that territory. It was alzo snowing at Marquette, Kansas. The Nebraska Panhandle received six inches of snow last night, and it is still snowing hard at this time.

This brought wheat out on the bulges, and at the last the May delivery was 1 1/4¢ per bu lower, while July declined 1 1/8¢.

Some purchases were made on better flour business, with Southwestern sales advancing to 63% last week compared with only 18% a week earlier. However, one large sale to a baker accounted for most of the increase, but in the spring wheat areas the level remained low at about 25% of capacity. Generally speaking, bakery sales were light for the holiday period.

Corn was erratic and higher at times, but influenced finally by weakness in wheat, and more drastic declines at Winnipeg, which unsettled sentiment generally.

Rye was under pressure. The trade is afraid of possible imports from Argentina, and with an open interest of over 10 million bu there is reason to be cautious, particularly as recent advances may have been too rapid.

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CHICAGO January 5, 1940

The Tariff Commission at Washington is still studying the advisability of a quota system in relation to imports, and we presume that after having exported about 30 million bu of wheat from the present crop, at a loss of approximately 32¢ a bu, it might be embarrassing if we imported Canadian wheat over and above the 42¢ a bu import duty; but up to the present time no definite conclusions have been reached. Very likely the subsidies were suspended in order to conserve supplies, and it is now figured that with a somewhat smaller domestic consumption we shall carry over about 300 million bu of wheat on July 1, 1940. Apparently, the Bureau of Agricultural Economics is not counting on any appreciable export business during the crop-year 1940-41, because in their analysis they forecast that on July 1, 1941, we shall have reserve stocks in excess of 200 million bu, and of course, this would not be possible if we shipped any quantity of grain out of the country.

In making forecasts so far in advance, there is a great deal of guesswork and calculations may have to be changed numerous times, depending upon the size of the crops that we raise next summer, and also, upon other conditions of an artificial nature that may arise. We are referring now to certain quantities of flour that may be given to the needy, but we doubt whether this will change our domestic requirements to any extent.

We learn with interest that the German abnormal granary has not been working as had been anticipated. The keeping qualities of wheat are such that it is necessary to run it frequently, and this is one of the important functions of an elevator. Thousands of tons of Germany's stocks of all grains have been found rotten and fermenting in the warehouses and churches where they were stored. In fact, nearly one-sixth of the Reich grain reserves are reported to be affected by faulty or prolonged storage, according to Sanford Evans. He claims that the German government has rescinded the order that bread must contain at least 3 per cent potato flour and that all grain stored longer than six months is being handed out before it becomes wholly unfit for consumption.

We have heard some reports that wheat in our own country which had been stored on farms was going out of condition, but fortunately, the quantities will probably not be heavy, and if the grain is marketed so that it can be properly treated, the loss may not be great. In Canada, where they have a visible supply of 350 million bu, the wheat is mostly in elevators where the proper care and treatment are afforded; so the damage will probably be negligible even if the carryover at the end of the season is larger than usual. None of the merchants has mentioned the fact that deterioration is anticipated. However, we do hear a good deal of warning about the corn in Illinois and Indiana which has been put into the iron cribs, and which may suffer during February and March when freezing and thawing temperatures set in. As there is apparently no provision for the running of this grain, condensation is apt to form a crust, which may bring about germination, and possibly heavy loss. In the spring, corn has a tendency to reproduce. These are all factors which deserve important consideration, and show the danger of using makeshift storage facilities rather than taking advantage of the present modern elevators equipped with the most up-to-date machinery for handling the different cereals.

Primary receipts today were small at 303,000 bu versus 329,000 bu last week and 495,000 bu last year. So far this week, Kansas City, Minneapolis and Duluth stocks show a net decrease of only 7,000 bu. The shrinkage in the visible supply on Monday may not be so heavy; a year ago it decreased 3,254,000 bu.

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There were very few occasions when wheat sold higher than the previous close. While low temperatures have prevailed the past week, the crop seems to be pretty well protected by snows in most sections, and the map suggests that rather general snows are possible again for Southwestern districts. This was construed as slightly bearish and brought about further profit taking, with the result that May wheat declined 1¢ per bu, while the July future was 7/8¢ lower.

There is nothing much new in the international outlook. Acreage in Europe will probably be much the same as last year, while production in the Orient is estimated to be about 15 million bu larger than the previous season. However, imports of wheat and flour during 1939-40 may amount to about 30 million bu, which would be the same as the year before.

Corn was fairly steady and exporters confirmed the sale of a cargo to the United Kingdom. This has been a sustaining influence lately, and while the business has not been large, it has at least given encouragement to those who favored higher prices.

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CHICAGO MERCANTILE EX.

January 8, 1940.

When traders came to their offices this morning, they found that the winter wheat belt had been further benefited by moisture, and many places reported anywhere from four to eight inches of additional snow. Nobody can tell exactly how much good it will do, but we feel sure that it will at least be very helpful, as almost the entire winter wheat area is covered. We appreciate that the moisture came late but in some ways a snow covering is like a mustard plaster which draws the poison from the system, and often corrects some of the previous ills.

The Shannon Grain Co., who are extremely well posted, and in fact, experts on Kansas conditions have written us that the snows around Christmas time and since have prevented any material damage as a result of the cold spell. They hear a good deal of talk about wheat coming out which has lain in the fields since planting, and pointed out that there is a good deal of difference of opinion regarding the result. They say it will take perfect conditions after the first of March to make a wheat crop under any circumstances, but that it is not difficult to find amongst oldtimers, both observers and growers, where actual experience has clearly demonstrated that wheat can germinate in February, and yet make a crop. They also emphasize that good prospects this year in Kansas are in the eastern half of the State, where not much wheat was raised prior to the last year or two; and call attention to the fact it is in the territory which could have large yields per acre, and is on land that has been cultivated and planted to other crops. Consequently, it is in condition to produce well. They conclude that Kansas might yet raise over 100 million bu of wheat.

The trade must have felt somewhat the same, and liquidating orders came into the pit, although the volume was very small. A good many traders undoubtedly feel that crop scares may give us more bullish impetus later on because of the poor start, and for this reason a good many lines are being held intact.

There was nothing very new in grain circles generally. World shipments of wheat and flour this week were small, at only 6 million bu, which again was exclusive of Australia, but a year ago they were also light when they amounted to 7,210,000 bu, including Australia. But the one outstanding feature was that North America had placed less than 2 1/2 million bu afloat, and this apparently means that Canada is doing a very small business. European demand has not been large for sometime, as the recent price advance has influenced importers to assume a waiting policy, at least until they can determine what new Southern Hemisphere pressure may develop. As Broomhall points out, the scarcity of tonnage has been a hindrance to purchases, but with emergency stocks built up by several importing countries prior to the war, the reduced imports, together with the grinding of emergency supplies, are obviously keeping millers satisfied for their immediate requirements.

Domestically, receipts are light everywhere, but likewise, the milling demand is small; consequently, there are no big inroads being made into accumulated stocks.

There is another factor, also, of which the government has taken cognizance, and that is, the reduction of wheat feeding for animals. This we believe is the reason why they figure on such small home requirements. In previous years, when wheat and corn sold closer together, and when corn was scarce in certain states, farmers were induced to feed wheat rather than to import corn, but at the moment corn is less than 60 per cent of the value of wheat, and, therefore, except in isolated cases, for chicken or mixed feeds, we doubt whether wheat will be used extensively for other than human needs.

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Primary wheat receipts were moderate at 406,000 bu versus 689,000 bu last year; a week ago there was a holiday. When the visible supply was posted it showed a decrease of only 1,354,000 bu, with total stocks in all positions in excess of 117 million bu, or over 5 million bu more than a year ago. The change at Chicago was minor, a decrease of 80,000 bu, with slightly less than 7 million bu locally held. However, demand from here at the moment is quiet.

There were fair recoveries from the low point of the day, and final figures showed a decline of 3/4¢ per bu for the May delivery, with the deferred months slightly easier owing to the snows.

Corn was fairly steady, but rather featureless. Receipts are about the same as they were a year ago. Later on we expect a better demand domestically, andsome export business will undoubtedly take place, at least, between now and the time the Argentine movement is at hand.

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CHICAGO MERCANTILE EX.

CHICAGO January 9, 1940.

Prime Minister Chamberlain addressed the British people over the radio, and this was the beginning of a campaign of speeches by government members to rally the nation behind the war program. He was somewhat pessimistic in his conclusions and looks forward to a phase of war that will be much grimmer than anything that had yet occurred. He also spoke of sacrifices that would be incumbent upon each and every subject, and spoke of the preparations to fight more intensely on land when the moment arrives. He also stressed the necessity of curtailing importation of goods that are not necessary for the prosecution of the war in order to leave foreign exchange and shipping space free for the purchase and transport of materials that are essentially needed. The Empire, he claims, is united as never before as a result of the war, but characterized the calm as that which comes before the storm, and apparently, England is prepared for a prolonged engagement.

This had very little effect on wheat prices, although the securities market lost ground and most shares were lower. Even the aviation issues were down and these would probably be helped by continued hostilities.

Broomhall still maintains that his earlier estimate of the Argentine crop stands at 136 million bu, which is slightly less than the official figure. Harvesting operations have indicated that yields in most sections are poor, so that present crop may be classed as a failure. However, some offset is apparent because of the larger carry-over than is normally on hand. The English authority figures on a surplus of 100 million bu from the Argentine this year, including old and new crop, and 147 million bu from Australia, so the combined surplus from the Southern Hemisphere during 1940 will be close to 250 million bu, which would not differ greatly from average, and would mean that weekly shipments for the 12 months could average about 5 million bu. Ordinarily this does not happen, as about 70% of the surplus is shipped during the first six months of the season, and should history repeat itself at this time, Europe, as well as the Orient, will be able to get supplies without much difficulty. However, we have called attention to the fact that freight rates on the long haul are exceedingly high and the British government has now commandeered all of their own shipping, with the result that neutral ships are getting anywhere from 60 to 70¢ a bu for carrying wheat from the Argentine to certain European ports, and this may finally work in favor of Canada, from wher grain can be carried by a shorter route.

Weather and crop news from Europe is not having much influence at the moment. The Danubian countries claim some damage because of extremely low temperatures and insufficient snow covering. In Western Europe prospects are reported to be most satisfactory, while in Italy partial snow covering has made general prospects quite favorable.

Primary receipts were light at only 373,000 bu versus 384,000 bu last week, and 455,000 bu last year.

During the session light snows were reported at a number of points in the Southwest, and while new pressure was exceedingly light, there seemed to be little encouragement for making purchases at the moment, as there is not much likelihood of crop scares until February.

At the close May wheat showed a net decline of 1 1/2¢ per bu since yesterday, while July wheat closed 2¢ per bu lower.

Corn was influenced early by the sale of a cargo for export, but when the leading cereal weakened it also had its influence in othe directions with the result that coarse grains slumped off somewhat despite the feeling that corn and oats had comparative merit.

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CHICAGO MERCANTILE EX.

CHICAGO January 10, 1940.

The interesting overnight developments consisted of reports from both Europe and from Canada that a very large Manitoba business had been worked, with sales to the U.K. estimated by some to be in the neighborhood of 15 million bu. It seems that Mr. Rank, who is in charge of British purchases, is pursuing about the same policy which the group of English mills had adopted during peacetime: namely, of waiting for an opportune period, and then taking on large supplies all at once. Apparently they figure that when this is done that they can then overlook minor fluctuations from day to day. We find that the last large purchases were made on November 28th, when about 10 million bu of wheat were taken.

In the final analysis, of course, it should make very little difference insofar as Canadian disappearance is concerned. According to the last available figures, total wheat and flour clearances from Canada were 69 1/2 million bu compared with 80 1/2 million bu last year. So even with war, the export business this year was considerably lighter, and also it must be remembered that Canada raised the second largest crop on record. There is at the present time a balance for export and carryover of 383 million bu, while a year ago there was only 171 million bu; so Canada is in a position to ship heavily, and we doubt whether they can get their reserve stocks down to very small proportions by next August, despite intermittent large sales which are being made.

Our market opened firm and went higher despite additional moisture in the Southwest. The Canadian news prompted a more bullish sentiment, and after six days of consecutive declines there was the feeling in some quarters that possibly the constructive side was again preferable. In the United States, we find the situation quiet in all quarters; the movement from the country is light, and also the milling demand is poor. Therefore, there seems to be no definite trend at this time. The government in figuring on a carryover of 300 million bu assumes that domestic requirements will be smaller than recently, but with our population about the largest now that it has ever been, and with economic conditions sound, we feel that bread consumption will be as large as last year. A little less wheat may be required for seed, but even that is doubtful; some districts where the drought prevailed may reseed to spring wheat a few months hence. However, the amount fed on farms varies a good deal from year to year, as the following figures will show:

1928-29	57	million bu
1934-35	84	" "
1935-36	83	" "
1936-37	88	" "
1937-38	113	" "
1938-39	132	" "

In other words, the size of the corn crop had some influence, and likewise the difference which existed between corn and wheat prices. At the present time corn is selling for only about 80% of the price of wheat, and assuming we feed only as much as we did three years ago--namely, 88 million bu, the chances are that our domestic consumption will be considerably smaller than a year ago, which would mean a good-sized carryover.

Official crop advices from Washington were somewhat more optimistic, and stated that nearly the entire winter wheat belt was snow covered, and a good prospect was at hand for needed soil moisture when the snows melted. They went on to say that in the western belt where severe and damaging drought had prevailed the result of the current unusually heavy snow naturally is undetermined for the present. Howev

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snowfall up to 12 inches has occurred in some western sections; in Kansas, there is at this time a general and rather uniform blanket of 5 to 10 inches, with recent precipitation bringing about 1/2 inch of moisture. Also in Oklahoma, precipitation was decidedly favorable, but more is needed. They claim that in Texas, wheat showed some improvement, and the condition is now fairly good except locally; in the far West, conditions were decidedly favorable, and wheat is also doing well in the Pacific coast States.

Janur 10th is ordinarily the calendar period for selling wheat. This is not mere superstition, but is the start of greater pressure from the Southern Hemisphere, although war conditions may bring about some changes owing to the long haul; flour demand domestically also drops off, and we find that last week winter wheat mills sold only 27% of capacity compared with 63% the previous week, and 33% a year ago. In the Northwest, there was some improvement, grindings reaching 40% of capacity from 25% the week earlier, but the gain was hardly considered important. Last year the northwestern mills reported 58% sale for the same period, according to the Northwestern Miller. The encouragement lies in the fact that bakers are probably not booked far in advance, so that with any improved confidence the market might receive better support.

Primary receipts were exceedingly light at 239,000 bu versus 411,000 bu last week, and 454,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 812,000 bu.

Firmness at Winnipeg more than offset recent favorable weather, and, of course, the largest export business from Canada in more than a month also acted as a stimulant, with May wheat at the last showing an advance of 1/2¢ per bu, while July wheat was up the same. The chances are that Britain will wait for a considerable period before making additional large purchases; therefore, other factors may come to the foreground again.

There was some liquidation in corn, but volume of trade was not heavy, and values were just slightly under the previous close.

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CHICAGO MERCANTILE EX.

CHICAGO January 11, 1940.

Harvesting of wheat in Australia is about completed, and deliveries have been heavy. No accurate figures are given out, but it is estimated that the visible supply is about 95 million bu-- an increase of 13 million bu from last week. The latest estimate of production is about 186 million bu, or roughly 32 million bu larger than a year ago. No figures are released on the export movement, but ordinarily the new crop begins to move overseas about the second week of January. There has been some undercover work for sometime to try to get this wheat into exporting channels, and some had even mentioned that it might be shipped to the United States, and from here by reshipment to Europe in convoy. During the last war about 2 million bu of wheat were handled by this method. However, it became known this morning that the British Cereals Control Board had purchased about 60 million bu of Australian wheat, and it was further stated that shipping arrangements were in hand and that the first loadings had commenced. Apparently, England thinks that by taking large quantities shipments are more easily facilitated, and according to the British Admiralty, warships had convoyed 5,911 Allied and neutral ships since the start of the war, with the loss of only 12 by enemy action. This is certainly a wonderful record, and despite the press, headlines of naval disasters, it shows that England is still supreme on the high seas, and is doing a perfectly magnificent job.

This sale by the Australian Wheat Board following on the heels of yesterday's large Manitoba business, must put Britain in a most comfortable position. The chances are that imports this season into England will not exceed 240 million bu; and with the purchase, say, of 90 million bu of wheat in the past two days, it will put her at ease for months to come.

Since August 1st, world shipments to Europe have been 34 million bu smaller than the previous season, while to ex-European nations, 13 million bu less have been shipped.

Domestically, there is little of consequence, except the government's report issued late yesterday on farm reserves as of January 1st. Naturally, with a crop of only 755 million bu compared with 931 million bu the year before, there would be less wheat on farms now than in 1939; therefore, this report furnished no surprise. It was, however, interesting from point of view of percentage figures. There is actually 31.7 per cent of the wheat held back, which is really larger than a year ago, when only 30.1 per cent remained, and would compare with an average of 28.7 per cent. Looking at it in another way, the 239 million bu remaining on farms compares with the ten-year average (1929-38) of only 216 million bu. Therefore, with apparently no export business expected for the balance of the crop, one might reasonably look for a larger carryover than we had the past season.

Snow coverage domestically is quite good, and the chances are that additional moisture will occur in the central states, although nothing is looked for in the Southwest, but after the ground has been snow covered it is not necessary to have more moisture at this time.

From Canada, we hear that precipitation in the Prairies up to the end of December has been favorable in the northern parts of Manitoba and Saskatchewan, and western and northern Alberta. In other areas, however, deficiency from normal is noted, and some concern is felt. In a general way, it means that normal, or heavier than normal, spring rains will be essential to give the 1940 crops a good start.

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CHICAGO MERCANTILE EX.

CHICAGO January 12, 1940

Official confirmation of a crop failure in the Argentine has probably done much to stimulate recent British purchases, and it is assumed that anywhere from 80 to 90 million bu have been taken during the past three days from Australia and Canada, with apparently further provision being made that the grain will be shipped in convoy; therefore, the chances for material loss due to torpedoes and other war risk seem to be minimized to a large extent. Apparently, the trade felt as we did yesterday, that after such large bookings the business would probably dwindle to smaller proportions, and this was no doubt the main reason for the rather heavy liquidation yesterday and further selling orders in the pit this morning. Since August 1st, or for a period of 23 weeks, world shipments have only averaged 8,636,000 bu weekly, and on the assumption that Broomhall's reduced figure on import requirements is correct: namely, 560 million bu, it would mean that during the remaining 29 weeks shipments would have to average close to 12 1/2 million bu each week. The latter figure may be reached but yet, it is somewhat problematic, as strangely enough, there are certain economies that take place during war time; from past experience we know that even with extra wastage on the battlefield and greater necessities for the men in service, the actual imports are generally smaller than in peace time.

We understand that a part of the civilian population in Europe is having difficulty in seeing at night during blackouts, because of lack of vitamin "A", which is affecting the eyesight. This vitamin, doctors tell us, is found largely in dairy products, such as milk, eggs, etc., and these foods are being rationed in a most sparing manner.

With the figures to date we find that the U. S. clearances of wheat and flour since July 1st are slightly in excess of 28 million bu; therefore, our previous estimate for total exports for the season of 35 million bu may prove conservative, as subsidies have been practically stopped. In Canada, we find that actual clearances are about 12 million bu smaller for the season than they were a year ago, and after making allowances for home requirements, there is still about 213 million bu more wheat available for export and carryover as of this date than in 1939. Even with the tremendous sales that were recently effected, we doubt whether the net result will be much different, as very likely Britain will not come into the market on any large scale for a long period. If such tremendous exports had occurred during the last war, they would have had an entirely different influence on the price level; but with a near-record carryover of world supplies last July, it makes everything entirely different and the big influence will still be the results of next year's crops.

There is a good deal of talk as to whether moisture in the winter wheat districts came too late, but one mill in Missouri writes us that in 1938 seeding resulted in rather poor stands, and in many cases the wheat did not come up in fall. Immediately after Christmas they had warm weather following moisture, and the wheat which had lain dormant came through the ground, but did not get much growth before subsequent snows and cold weather checked it. That writer followed the development in that area and some of the fields that had lain totally barren produced the same yields of wheat as fields which had gotten a satisfactory start in the fall. The observer also stated that fields which had shown a poor stand in the fall came through in the spring as good as any of the others, and the net result was that last summer yields were nearly the largest per acre that had ever been witnessed in that community. We are not trying to predict how provident Nature will be, but cite this case as an interesting one, in view of the arguments that have been set forth with converse reasoning.

Argentine shipments this week were again large-- 3,656,000 bu, which was about 1 million bu more than last week, and compares with 1,684,000 bu for last year.

(OVER)

Primary receipts were small at 355,000 bu versus 303,000 bu last week and 520,000 bu last year. Kansas City, Duluth and Minneapolis stocks so far this week show a net decrease of only 243,000 bu. We anticipate that only a small decrease will take place on Monday when the visible supply figures are given out; a year ago, wheat decreased nearly 4 million bu.

It seems that while receipts are light everywhere, milling demand is slow, and this means that only a small number of hedges are being removed from the market each day.

Outside of further liquidation, there was no particular feature; some recoveries from the low point took place, and at the last May wheat was 1 1/8¢ a bu lower, while the July future was 3/4¢ down.

Corn was comparatively steady; volume of trade was rather light, and we note that yesterday only a little more than 3 million bu traded in the pit. Primaries are fair but no burdensome accumulations are taking place, and more than the usual amount is held on farms--in fact, the January 1st government figures set a record, apparently the impounding of supplies being a factor. There was a good export business and further inquiries were reported for cash corn in this market.

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CHICAGO MERCANTILE EX.

January 15, 1940.

There was rather general moisture over the weekend except in the northwestern part of the country, but inasmuch as most eyes have been focused toward the winter wheat belt, it was generally regarded that with the additional snow covering prospects were even better than they had been recently, although nothing much can be said about the wheat plant in its present dormant state. There was, however, the Robinson report released today, which dealt mostly with the situation in Kansas. While they were still of the opinion that there was little chance of the present crop being one of normal proportions, yet they felt certain that improvement had taken place, and they were influenced because of the fact that the Southwest had a heavy winter snow covering. Generous snows just before Christmas were followed by low temperatures for a period of three weeks, and the ground has been covered with from 6 to 12 inches, which is just beginning to melt slowly. They also admit that a good many people will disagree with them as to their conclusions, but they feel that with suitable weather there is a good possibility that the unsprouted wheat will get a start sufficiently early to make for some production.

The trade, however, must have figured that the improvement in the crop outlook may have been discounted in the price, with a break of about 11¢ per bu from the top a few weeks ago; and with European political news coming to the foreground, such as mobilization in Belgium, there was a much better demand in the pit, and prices were on the up-grade during most of the session.

World shipments this week were only 7 1/2 million bu compared with 11 1/4 million last year, but again we point out that at the present time Australian shipments are not being included, whereas they were in 1939. However, with the recent large purchases made by England, we presume that this will be reflected soon; and also the amount on ocean passage should increase, provided ships are available to take the grain from Australia and Canada to European markets.

There was no activity of consequence in export circles over the weekend, although Canadian prices were somewhat higher in sympathy with ours. Nothing further was heard from the Southern Hemisphere, except that Broomhall claims that production in Argentina and Uruguay combined will total about 158 million bu this year compared with 351 million bu in 1939. Assuming that the latter country raises 15 million bu, it would still leave about 143 million bu for the Argentine, which together with a carryover of 73 million bu would amount to 216 million bu in the two positions. In view of the fact that Australia has raised about 32 million bu more than last year, we do not see any large deficiency for the Southern Hemisphere versus normal, although comparisons which are generally made with the previous season do not make nearly so good a showing.

The visible supply of wheat showed a pretty good decrease of 3,406,000 bu, and there now is in all positions 113,869,000 bu, or roughly 6 1/2 million bu more than a year ago. Chicago stocks also decreased rather heavily, the shrinkage amounting to 346,000 bu, leaving a balance of 6,609,000 bu in elevators and afloat. Primary receipts were slightly larger, but were of no particular interest.

At the last prices showed an increase of 2 1/8¢ per bu for the May delivery, while the July was 2¢ higher. It seems that lack of pressure was the main factor with a little new buying coming into the pit that could only be accomplished by bidding up the market.

Corn was in pretty fair demand, and the trade is impressed with the recent export business, and probably a further demand at least until new Argentine corn is available. Visible figures were a standoff, and primaries were rather light with the country not at all eager to sell in heavy volume.

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CHICAGO MERCANTILE EX.

CHICAGO January 16, 1940.

Even before war was declared last September, Hitler often made the statement, "We must export or die." This, however, is not confined to Germany alone as practically every nation has found that their very existence depended upon international relations, and we find now in England that the export trades occupy the center of all public discussion of economic problems. During a war, of course, it is even more necessary to make strenuous efforts to foster exports by every possible means. In conducting economic warfare against Germany, there is widespread recognition of the necessity to use the weapon of export and import competition in those markets that are still open both to the allies and to their enemy. In other words, Britain must be prepared to sell cheaply if by so doing she can make Germany also lower her prices, and she must be prepared to pay extravagant prices in some instances for goods that she may not even want, in order to prevent Germany from getting them. It seems that during hostilities this sort of commerce is required, and naturally, it is a departure from normal commercial principles. This is probably the reason that so many bureaus have been set up to handle various problems that may arise.

The Ministry of Economic warfare has already done much in the field of economic offensive. In our own country, the exportation of wheat and flour has almost come to a standstill, not because we are not in position to reduce our surplus at this time, but rather because it is felt that the next crop may be a short one, and the administration probably wants to avoid even the possibility of importing wheat next season should we raise a combined winter and spring wheat crop inadequate for domestic consumption. At the moment, crop conditions in the winter wheat belt have shown some improvement, and despite the fact that the government officially estimated the condition in December to be the lowest on record, the chances are if we have normal weather from this time on, we shall finally have a winter wheat crop in excess of 400 million bu, and realization of this fact has taken the edge off the market resulting in prices declining anywhere from 10 to 12¢ a bu from the high levels of the season.

After yesterday's short covering, which was due mainly to European political developments, the market again became featureless, except for the fact that the milling business in the Northwest took a turn for the better and sales were considerably larger than they had be at any time in recent weeks. This meant the removal of numerous hedges, both in Chicago and Minneapolis markets, although with profit taking values ruled somewhat lower and the volume of trade was quite small.

According to the government, the farm disappearance of wheat during the quarter October through December was approximately 20 million bu smaller than for the same period last year, and totaled slightly less than 100 million bu. However, the disappearance in market stocks was about 20 million bu greater during the same period, with the result that the combined farm and market stocks on the first of January were approximately 372 million bu, compared with 409 million bu in the same positions a year ago. The only reason for expecting a larger carryover next July than we had in 1939 is because the exports were fairly heavy between this time and the end of the season a year ago, while at the present time, we doubt whether the shipments will amount to more than 5 million bu.

On the whole, sentiment is somewhat mixed. With tremendous supplies remaining in Canada, and with the failure of Winnipeg prices t strengthen last week when the large export business was accomplished, the trade is reminded again that the situation is entirely different from point of view of supplies than during the early part of the World War, and, therefore, dollar wheat is debatable at this time. At least is not likely that we shall have a bull movement for another month or six weeks when crop scares will probably start.

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Primary receipts were about in line with recent figures, and amounted to 365,000 bu versus 373,000 bu last week, and 448,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 40,000 bu.

There was some liquidation, and apparently a little more than could be absorbed by the improved milling demand, with May wheat at the last showing a decline of 1 1/8¢ per bu, while July wheat was 1 1/4¢ per bu lower. Kansas City at times led the decline, and apparently the Southwest markets reflected the satisfactory moisture situation.

Corn was slightly lower; there were fair sales out of Chicago, but this had very little influence. The fact that soybeans were so weak may have discouraged bullish enthusiasm. The volume of trade was quite light. Also Argentine FOB prices were 1¢ a bushel lower.

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CHICAGO January 17, 1940.

A few days ago, European political news came to the foreground, but it seems that mobilization in Belgium and Holland has rather put an end, at least temporarily, to aggressive action on part of Germany. Possibly Hitler feels now that being in a state of siege with France and Britain, it would be unwise to attempt further hostilities. He has learned in recent months that it is quite a different situation from the bloodless war in Austria and Czechoslovakia. There is even less comfort over his marked success with Poland now that actual suffering is taking place in Germany, because due to the blockade there is undoubtedly a deterioration of the standard of living, with some of the schools being forced to close because of lack of coal, and hot water in many apartment buildings being confined only to certain days and the German morale is bound to suffer. In other ways, Germany is using up some of its reserves, even though the back door to the East is still open, where some supplies are flowing in.

The wheat trade turned its attention this morning away from war news, and noted that, despite the rather encouraging reports recently of snow covering in our Southwest, there were a number of territories where the protection was not as satisfactory as might have been expected. In Kansas, for instance, a number of bare spots were starting to show, while in other places ground was only protected after recent thaws with a very thin snow covering; in Oklahoma the situation was even less optimistic. In Texas, there seems to be very little snow reported at all, so that with colder temperatures ahead, there is some fear of possible damage. It is true that even at this writing some new snows are being reported falling in both Kansas and Nebraska, but, nevertheless, buying power was somewhat more pronounced, particularly because the weekly weather and crop report issued from Washington afforded less hope than the previous resume. While the wheat is generally dormant, there seems to be some territories where the snow has drifted quite badly, also, the evaporation was rapid and in places top soil was dry with the Oklahoma wheat mostly in rather poor to definitely poor condition. The outlook, however, in the northern Great Plains is little changed, and we presume that it will still require growing weather before any decisions can be made with great accuracy.

Millers in the Northwest called attention to the improvement in flour bookings yesterday, and while business today was somewhat lighter, it was at least proceeding on a better basis than during the last week or two.

According to the Northwestern Miller, the spring wheat mills last week sold only 35 per cent of capacity, compared with 40 per cent the previous period, and 40 per cent the same week of 1939. They also claimed that the bakery consumption is below normal. In the Southwest, mills report business for the past week at 37 per cent of capacity, compared with 27 per cent the week before, and 30 per cent a year ago; so apparently, there is still room for great improvement in all directions.

As far as export business is concerned, of course, this country has little to hope for for the balance of the season, owing to the fact that subsidies had been suspended. Therefore, we look rather objectively to what other exporting countries are doing, and find that latest sales of Australian wheat included about 7 1/2 million bu to Japan, but at a price understood to be considerably below the level that was paid recently by the United Kingdom for wheat. However, some sacrifice apparently was necessary, as in this agreement with Japan, there was a stipulation that all the wheat must be transported by Japanese vessels, as no Empire shipping space is available. Never-

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theless, this is the largest single transaction in recent years. Taking into account the recent large sale to Britain, Australia is now estimated to have disposed of about 80 million bu of wheat this year, and one authority places the remaining unsold surplus at only 40 million bu. Should this be correct, there may be a better demand later on for Argentine wheat, which presently is under pressure from new hedging sales. Even though the crop was a small one, it seems rather difficult to get it into exporting channels, owing to the fact that England had given perference to her own colonies in the recent large purchases.

Primary receipts were 324,000 bu versus 239,000 bu last week, and 301,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 128,000 bu.

It was not difficult to get prices higher, as very little new hedging is coming into the pit; in fact, receipts everywhere are so light that when a small number of hedges are taken out, it has some influence. At the last May wheat was 1 7/8¢ per bu higher, while July wheat advanced 1 1/2¢ per bu. Prospects for a cold wave turned sentiment quite bullish.

Corn was firm. Here also there was very little new pressure, receipts are moderately light, and the trade figures that it will be some time yet before export competition from the Argentine will be much of a factor.

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CHICAGO MERCANTILE EX.

January 18, 1940

Late yesterday, there was a rumor that the government might subsidize some Pacific Coast wheat exports, but apparently this report was without foundation. According to present plans, the only exports for the time being will consist of Pacific Coast flour to the Philippines, which based on past experience is a rather small business; therefore, will probably not amount to much.

European political news was also rather quiet. On the western front low temperatures had prevented much activity, and news from Germany was to the effect that there was considerable suffering amongst the civilian population, with a more severe winter at hand than in recent years, which is particularly noticeable now because of the lack of fats, also the coal shortage and the inability in some cases to obtain warm clothing due to the fact that virtually everything is being rationed. In Berlin, the thermometer dropped to 18 degrees below zero recently, which is almost unheard of. The government has ordered German growers to deliver by January 31st at least 60 per cent of the total rye crop, 65 per cent of both wheat and oats, and 85 per cent of barley for home requirements, apparently feeling that these reserve stocks should be on hand in case imports from Russia and elsewhere do not come up to expectations.

Here in this country, temperatures were also very low, and in parts of Kansas thermometer readings were as low as 15 degrees below zero, although a few light scattered snows had fallen. On the whole, there seems to be some protection, although possibly not sufficient if extreme temperatures continue. In Oklahoma, apprehension was greater because the snows had mostly melted or evaporated, and possibly some damage is being sustained, but the extent of it will not be known until later on.

There seems to be some chance for weather moderating, at least after tomorrow, and the trade here was not particularly excited because after initial advances there was some profit taking, while new buying was on a smaller scale than yesterday. Also, flour buyers did not seem eager to follow advances, and in the Northwest this was particularly true following two days of fairly good business.

From a statistical point of view, there is very little change from previous figures. Southern Hemisphere crops are about made, and in fact, are being pretty swiftly gathered, with Argentine wheat moving from farms into position for export. Estimated weekly shipments this week are large again at 3,674,000 bu, or practically the same as last week, and this compares with only 2,267,000 bu last year, when a big crop had been harvested. A fair amount of grain seems to be going to non-European countries-- last week about 852,000 bu, and in view of the fact that England has bought so heavily from Canada and Australia lately, it is fortunate that the Argentine has these other customers.

Sentiment at Winnipeg is fairly bullish, despite the fact that the visible supply is 182 million bu greater than a year ago. One would imagine that with total world shipments since August 1st, 52 million bu smaller than the previous season, it might be rather difficult to make up this difference during the remaining months; but yet, in war time it is not easy to figure out how the British government's purchases will progress, although after buying about 70 cargoes of Canadian wheat last week, or approximately 20 million bu, there seems to be nothing important wanted from that country, at least for the ti being.

Primary receipts were 378,000 bu versus 363,000 bu last week and 459,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 291,000 bu.

Market recovered rather easily from periods of weakness, with cold weather being the main influence, and this tended to discourage short selling. At the last May wheat was 1 1/8¢ a bu higher, while July advanced 1¢.

Corn was also firm; extra feeding generally takes place when temperatures are severe. Moreover, the primary movement was extremel small, and sentiment is veering more to the bull side.

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CHICAGO MERCANTILE EX.

CHICAGO January 19, 1940.

The very high freight rates for neutral tonnage have created a fairly active demand on the Continent for their spot wheat, corn, and other grains that are ordinarily imported, but yet, the new demand is rather dull and world shipments are not particularly large. At the same time, Argentina has actually placed 3 million bu of wheat afloat this week, and even if the demand were better, it is questionable how much this country could sell, because from the present crop statistics, there is only about 110 million bu available for export compared with 238 million bu a year ago, although at that time they had just finished harvesting one of their very largest crops. Since August 1st, Canada has shipped 76 million bu of wheat and flour. This is actually about 9 million bu less than for the same period a year ago, and at the present time there still remains a balance for export and next carryover of 377 million bu against 166 million bu in 1939, or in other words, 211 million bu more. Therefore, it is not likely that Europe will be very apprehensive of future needs.

Our market this morning opened somewhat lower because temperatures will probably moderate during the next 24 to 48 hours, and after rather heavy short covering during the past few sessions, the technical position of the market had been weakened. However, there was an announcement today issued by the Department of Agriculture that the wheat export subsidy program had been reinstated for wheat and flour shipments from the Pacific coast to the Orient. Since January 3rd of this year, only the flour subsidy program had been in effect covering exports from the Pacific coast to the Philippines, and it seems that the present action was taken primarily to assist in selling some of the wheat surplus accumulating in the Northwestern States, where it is estimated that approximately 25 million bu of surplus wheat are available in that area. It had also been feared that some of this wheat in moving eastward would compete with milling varieties in the Southeastern States, and, therefore, today's news was a temporary factor, and immediately upon the announcement of same prices rose quite sharply.

Since July 1st, the United States exports of wheat and flour are less than 29 million bu, and it was not thought that over 35 million bu for the entire season would be shipped. Therefore, a carryover figure of close to 300 million bu was in prospect, but the latter must be revised now, depending upon the actual amount of Pacific coast shipments that are made. This again shows that Washington policies are more or less on a day-to-day basis, and one who is trading in the market must be in a position to change his opinion very quickly as new conditions arise.

Ordinarily, low temperatures alone are not cause for material crop damage, although very often apprehension exists whenever snow covering is insufficient. However, there has been some alarm in Oklahoma, where the thermometer readings were severe, while from Kansas and Nebraska we are getting more optimistic reports. One party tells us that practically all of the territory in the latter two states has ample snow, in his opinion, to protect the wheat. A letter from Hastings, dated January 17th, informed us that it was snowing hard as far west as Holdrege, Nebraska, and he believed the whole territory had a good six inch covering all over Nebraska. Many towns around there reported as much as 10 to 12 inches of snow covering in the fields, and he ended by informing us that so far as Nebraska is concerned, there is no alarm about any big drop in temperatures, as it is not expected to do any harm.

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There was also a very important announcement from the CCC at Washington stating that all 1939 wheat loans mature on April 30, 1940. That, of course, was general knowledge, but the interesting feature was that they do not contemplate extending any of the loans beyond that date, except that producers will be given a chance to reseal wheat stored on farms in Idaho, Minnesota, Montana, Nebraska, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming. In other words, approximately 23 million bu of farm stored wheat is under loan in those states. We conclude, therefore, that the balance of about 137 million bu will gradually come on the market between now and the end of April.

Primary receipts today were light at 318,000 bu versus 355,000 bu last week, and 607,000 bu last year. Kansas City, Duluth and Minneapolis stocks so far this week show a net decrease of only 103,000 bu. When the visible supply is posted on Monday it will compare with a decrease which took place a year ago of 4,310,000 bu.

There was fair activity at times, the market closing lower, probably influenced by the fact that loans on the impounded wheat will not be extended in the important areas, which might finally give us additional pressure. May wheat was 1¢ per bu down, while the July delivery declined 7/8¢ per bu.

Corn was fractionally lower. There were intimations that the U.K. and the Scandinavian countries were in the market for some of our grain; bids, however, were below a workable basis. It was claimed that yesterday's sales were very large, and we are wondering whether some of the government-owned corn is being sold, as there was not much evidence of heavy withdrawal of hedges from the pit.

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CHICAGO MERCANTILE EX.

CHICAGO January 22, 1940.

While the United States Tariff Commission is scanning the possibility of a quota on wheat imports, in addition to protecting ourselves with a 42¢ duty, we find the British government last week imposed a virtual embargo on American tobacco and turned to Turkey for supplies. Although it is obvious that this action is based on a desire to conserve foreign exchange in this country for the purchase of war materials and to strenghen economic and political ties with friendly nations in Europe, it does at least give us a taste of what quotas and embargoes really mean in international trade.

There was no great incentive when our market opened to take a decisive stand either on the short or the long side, but apparently there had been sufficient covering of short positions last week to weaken the technical position of the market, and without any aggressive buying, prices eased somewhat.

World shipments were slightly in excess of 7 million bu, which was a minor decline from the previous week, but compared with 11 1/2 million bu a year ago, although at that time Australian shipments were included in the statistics. In any event, it is apparent that Europe is getting along with small quantities of grain, even though Winston Churchill claimed in a radio broadcast on Saturday that it was a five hundred to one chance that ocean cargoes would reach their destination.

There was, to be sure, a good deal of notoriety given to naval disasters over the week-end, with a number of British and neutral vessels sunk; but yet, the comparison is not nearly so striking percentagewise as during the World War, when the torpedoing was much more destructive. On the other hand, we find that during the first fifteen weeks of war, the Allied Contraband Control has seized 870,000 tons of contraband suspected of being destined for Germany. Figures such as these are difficult to comprehend, but amongst other articles, hides and skins sufficient for 5 million pairs of boots were kept from reaching the German army, and also, 23 million gallons of petroleum products were intercepted, which is a quantity that would more than fill the tank of every motor vehicle on British roads.

According to the U. S. Department of Agriculture, it is possible that extremely cold weather in Western and Northern Europe has caused damage to the winter crops, particularly in Belgium, but yet, the foreign demand today for North American grain was of very small proportions.

In our country, rather low temperatures were registered, although not as severe as last week, but continued cold weather seems to be ahead, with not much moisture in sight except possibly snows for the Texas Panhandle.

We are not hearing of any important Pacific coast business to the Orient, but are told that it would require a subsidy of about 26 to 27¢ a bu to export our wheat. The government no doubt has in mind pursuing a very conservative policy, at least until it is known what the size of our next summer's crop will amount to.

When the visible supply was posted, it showed a decrease of 1,847,000 bu. Stocks in all positions are practically 112 million bu, or about 8 3/4 million bu larger than a year ago. There was also a shrinkage in Chicago of 221,000 bu, leaving a total of 6,388,000 bu. Primary receipts are still very small and farmers are not selling much even though they probably are aware of the fact that loans on the impounded wheat will fall due on April 30th, but possibly the acceleration in marketing procedure will occur a little later on.

Trade on the whole was rather light, and the market suffered more from lack of interest than other factors, with May wheat finally showing a decline of 1/2¢ per bu, with the July down the same. There is still some diversity of opinion as to how the crop will come through the winter, with the recent snows in the Southwest.

Corn was indifferent; the visible supply decreased 610,000 bu, and we see no chance at these levels to build up reserves, but with some export business possible this feature serves as a sustaining influence.

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CHICAGO MERCANTILE EX.

CHICAGO January 23, 1940.

A report from Canada had it that wheat exports from that country might be placed under governmental control, owing to the fact that recent sales to Russia had been looked upon with a certain degree of suspicion, apparently the fear arising that this grain might find its way to Germany. Outside of this factor, there was really nothing of importance in grain circles overnight, and the writer noted that for the first twenty-five minutes of trade, the blackboard of the exchange floor, which quotes Winnipeg prices, registered fluctuations in wheat of only 1/16¢ a bu, illustrating the great lack of interest at this time. Of course, there are many obstacles for Americans trading at Winnipeg, and all funds which are sent up there must go through the Control Board, with a definite loss when the moneys are returned; and we believe that the great Canadian market is suffering from lack of outside business. In the same way, their narrow flucutations are hurting us somewhat, although at least here the trade is impressed by the fact that within another month crop scares will undoubtedly become important, and this may be the reason for some accumulations whenever prices weaken.

The open interest in wheat has hung around the 85-million bu mark for a long time, but apparently there are no large lines in the country that have been built up, and when minor liquidating orders appear they seem to find new buyers, particularly on recessions.

A year ago at this time, the visible supply of wheat amounted to 103 million bu, and between then and May 1st, it declined 35 million bu, or during the 14 week period, on an average of 2 1/2 million bu a week. We doubt whether we shall be able to accomplish the same results this year, for the reason that there is very little export business east of the Rockies, while a year ago there was a considerable movement of grain to Gulf ports; thus, inroads were being made upon accumulated supplies.

Furthermore, there is a greater quantity of impounded wheat this year, and with prices so far above the loan value, it would seem natural that the farmer would gradually liquidate a good portion of these obligations, particularly since the government does not contemplate, in this section of the country, extending these loans beyond April 30th. Therefore, it might well be that receipts later on will pick up, although at the present time they are extremely small everywhere, and the primary movement is not sufficient for current needs.

Broomhall, upon whom the trade depends each year for estimates as to world's requirements, has reduced his early calculation of 584 million bu to 560 million bu; but, in speaking of the amounts needed for the deficiency countries, he now claims that possibly even the latter requirement will be much less. Throughout Europe under war conditions, economy is the order of the day and the accumulated saving by such measures as long milling, admixture of substitutes, increased use of native wheat, etc., must run into many millions of bushels. Apparently, he is influenced also in this belief by the rather disappointing showing that is made each week in the actual shipments from the various countries and the indifferent demand from both neutrals and belligerents.

The official report on snow covering which we get from the map daily is of great interest. The Weather Bureau showed this morning 2 inches of snow in western Kansas, 2 to 4 inches in the central parts, and 2 to 12 inches in the east. In Nebraska, there was 2 to 4 inches

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in the west, 4 to 12 inches in the central sections, with 4 to 8 inches in the east. At Amarillo, Texas, there was 1/2 inch of snow, and this is the Panhandle region, but Oklahoma made the poorest showing, with no snow protection at all. Missouri had been benefited, and there were 2 inches of snow in the South, with 4 to 18 inches in other regions. On the whole, therefore, it would seem to be quite adequate with the exception of the one State, and a great help while lower than seasonal temperatures prevailed.

Primary receipts today were 390,000 bu versus 363,000 bu last week, and 459,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 85,000 bu. Trade was rather inactive, and we believe not much more than yesterday when only 11 1/2 million bu of wheat were handled in the pit. Weakness in corn was a factor, and on the whole buyers seemed to find less encouragement than recently, except that the price was down.

There was nothing in particular to influence corn prices, except that a long position has been built up, and apparently some of the buyers were becoming impatient. The primary movement was small and it took only small selling orders to depress this cereal.

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CHICAGO MERCANTILE EX.

CHICAGO January 24,1940

Since the first of the year, wheat prices have declined about 5¢ a bu, and we are in that calendar period when ordinarily bearish factors come to the foreground. Actually, January 10th is supposed to be the day when the "Voice from the Tomb" dictates lower prices, and as a rule, we have a very poor milling demand at that time; also, greater pressure is exerted from the Southern Hemisphere, so that possibly the present season is no exception even with the war in Europe and poor prospects for next year's winter wheat crop. On the other hand, the bulls have had some disappointments in that the Canadian crop estimates were raised successively, and the last figures reveal yields of nearly half a billion bushels; also, Broomhall has cut his estimates for importers' requirements, and even with hostilities we may be disappointed at the comparatively small quantities that are needed.

Because Australia does not publish export figures during the war, there is some guesswork as to what is taking place, but the records show that from January 1st to September 1, 1939, 72 million bu of wheat and flour were placed afloat. This would indicate that shipments since September to the end of the year were about 26 million bu, basing this on Broomhall's calculations that 98 million bu were shipped during the entire year. Should this be correct, it would mean an average of 1 1/2 million bu a week, or about normal, and since that time there have been large sales to the United Kingdom,39/it is fair to assume that if ships are available, even with the long haul, this grain will reach its destination. There has also been some Oriental demand for Australian wheat and the result has been that Argentina has suffered, so that even with a very small crop they are not able to make large sales; consequently, their prices have been declining.

It is probably a little early to buy wheat because of crop scares, but at least there is no harm in thinking about it. We believe that Cargill's report expresses it well in saying that with favorable conditions until harvest we could produce as much as 10 to 15 per cent more winter wheat than previous estimates. The government figure in December was for a yield of 400 million bu, and undoubtedly there has been some improvement. Of course, it is recognized that there might also be declines if adverse climatic conditions follow, and the best informed and experienced experts find this a trying season for making any kind of reliable forecast. Most of them agree, however, that timely moisture and the absence of hot winds in June would make a tremendous difference in the final results.

The snow map this morning showed practically no change from yesterday, although temperatures were lower. The weekly government report also claimed that the general winter grain situation had not changed materially in the past week. They also stated that a protective snow blanket is rather general from the Ohio River northward, and in nearly all of the western belt north of Oklahoma. Just what amount of damage low temperatures may do cannot be determined at this time.

The Northwestern Miller reported some improvement in bookings this past week, and it seems that new business from a chain baker helped to swell the totals, although our private advices are that the business is still far from good. No doubt the large business which was put through right after war was declared has been felt for the past several months, and some of the deliveries on those bookings will have to be cleaned up before new purchases may be resumed.

Primary receipts were light at 256,000 bu versus 322,000 bu last week and 363,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 317,000 bu.

After an early break, prices recovered. A better stock market contributed to the improved sentiment, but noon papers at Kansas City forecasting temperatures of about 15 degrees below zero played their part also. Crop comments that we received from parious points in Kansas, Oklahoma, Nebraska, and Texas, were not overly optimistic, and at the last, May wheat showed an advance of 3/4¢ a bu, while July was 1¢ higher.

Corn also recovered, and it was claimed that the United Kingdom purchased between four and five cargoes from this country. The removal of hedges stimulated a better buying power.

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CHICAGO MERCANTILE EX.

CHICAGO January 25, 1940

Ordinarily, at this time of year, Southern Hemisphere markets are very important in helping to shape price trends of wheat in various parts of the world. It has been a bit more difficult this year to gain accurate information for the reason that the Argentine government did not disclose the stocks on hand, but it is estimated that the carryover on January 1st amounted to 70 million bu. This, together with the official first crop estimate, has given them total supplies of 217 million bu. Subtracting from this quantity home needs, and also, shipments during the past three weeks of 9 1/2 million bu, we see that there is available for export and carryover about 107 1/2 million bu.

At the moment new sales are rather difficult to make, as England is favoring her colonies. Just to what extent Australian competition was a factor only became known a few days ago, when the Australian Wheat Board disclosed the price at which the British government had agreed to make the purchases; prices on half the grain ranged from 68¢ a bu for that in bulk, to as high as 74¢ a bu when it had to be bagged, and on the remaining 750,000 tons, which is the latter half of the contract, prices will not be fixed until later in the year. It is further stipulated that if Great Britain is unable to transport all of the wheat in British vessels, there will be an allowance, at least in part, because of the fact that neutral ships are much more expensive; and it is even feared that part of the wheat might have to be transshipped via the United States.

Owing to the fact that we are no longer an exporter, at least in commercial quantities, and that probably the business for the remainder of the season will only consist of some Pacific coast varieties, which are superfluous, our market is paying very little attention to the Southern Hemisphere news, and weather seems to be the most important factor. The Southwest temperatures were not quite as severe as had been forecast. The lowest readings were in Nebraska where the plant is fairly well protected, and the snow map shows pretty generally a reasonable amount still left on the ground, but, of course, nobody can tell how much of the wheat will finally sprout. After all, moisture before the snow was quite deficient, so that good rains will undoubtedly be needed in spring, regardless of the moisture which is obtained from the melting snows later on. There is no doubt that some of the snow has either evaporated or drifted, but yet, the covering is probably the best we have had in the Southwest in eight or ten years, and nobody will be able to tell for sure for another four or five weeks what harm the low temperatures have done, although we are not getting many optimistic reports about the general condition.

Primary receipts were again light at 303,000 bu versus 378,000 bu last week and 490,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 453,000 bu.

There was again no feature and, despite very light receipts everywhere, advances were not maintained, but we believe that in a quiet way there must be more loan wheat being liquidated than is generally advertised. The latest report shows a total of 152 million bu impounded as of January 13th, which is a decrease of 9 million bu compared with the report at the end of 1939, and from the peak, the decrease is about 14 million bu. In other words, there must be millers throughout the country who are getting their supplies without coming to terminals, so that with the very slow milling demand generally, not many hedges are being taken out of the pit, and we notice that yesterday the open interest hardly varied from the previous session. At the last May wheat was 1 5/8¢ a bu lower, while the July delivery declined 1 3/4¢.

Corn was indifferent. There has been a good movement from Chicago the past few days, but the bookings are also somewhat better. Apparently, there is a little more free corn moving, possibly influenced by the poor hog-corn relationship at this time. It has been somewhat disappointing that even with export business, it had hardly had any real effect upon the price of futures.

Rye was influenced by reports of a better export demand to Finland. There had been fair sales overnight, and the Finns were eager to make additional purchases, at least it is our understanding that exporters in this country are still hoping for some further sales.

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CHICAGO MERCANTILE EX.

CHICAGO January 26, 1940.

Germany needs oil, and is making a big issue over the Rumanian supplies. There is no single point in Germany's War organization at which she is more vulnerable than in oil supplies. Her own petroleum production is about 1/2 million tons annually, while her peace time consumption is about 12 times that amount, and during war time she possibly will consume as much as 12 to 15 million tons. At first it seemed likely that with the Russian alliance great help could be expected from the Soviet. While the latter's known oil deposits are about 6,370,million tons, or more than half of the known world's reserve, it is a fact that the Soviet Union accounts for only about 11 per cent of the world's production, showing great inefficiency despite increased production in recent years. However, Russia has today only about 48 per cent of the horses which she had in 1916, and in the meantime has acquired a fleet of about half a million tractors; so the fuel for these machines may not be expressed as a luxury, but is actually required for agricultural purposes. Moreover, Russia needs oil in great quantities for her own war in the North, and in these circumstances it does not seem likely that she will strain herself to send to Germany large quantities of oil, or for that matter other products which she needs so badly herself. The last available production figures show that Russia accumulates annually 30,300,000 tons, which is only slightly more than the production of Venezuela, and compares with 173 million tons produced in the United States; Rumania produces about 7,200,000 tons, or a little less than 1/4 as much as Russia, and Germany is eyeing Rumania recognizing that for the flying of planes and the handling of tanks, motorized trucks, etc., large quantities of oil must be imported. The fact that petrol is being rationed in Russia would indicate that large exports are probably unlikely.

Our market at the opening paid very little attention to war news, and in fact, even the weather has been temporarily thrown into the background, although it is unusually cold even for this time of year; and many opinions are expressed as to how this may finally affect next summer's yields. For the moment, of course, supplies everywhere are plentiful, and there is some thought being directed towards smaller world requirements than are presently estimated by Broomhall. He figures them at 560 million bu, but if this were to be attained, it would mean that during the remaining 27 weeks world shipments would have to average 12,844,000 bu weekly against actual shipments the first 25 weeks of only 8,528,000 bu. Therefore, there may be some great disappointments ahead. Moreover, with the Canadian crop estimate recently raised, there is at the present time a surplus for export and carryover of nearly 382 million bu, after making due allowance for home requirements. It is surprising, but nevertheless true, that even with war, European countries have taken 40 million bu less wheat this year than last, and ex-Europe, 15 million bu less. So it is not easy for exporting nations to get their grain into consumptive channels.

From our own country, we have shipped 30 million bu of wheat and flour since July 1st, and the amount still available for export, figuring on a minimum carryover, would be about 154 million bu. Of course, nothing of this character will take place because subsidies have practically stopped except on Pacific coast shipments, and even there we are told that they would have to be raised 7 to 8¢ a bu from the present level to meet Australian competition.

Primary receipts were 383,000 bu versus 318,000 bu last week and 366,000 bu last year. Kansas City, Duluth and Minneapolis stocks show a net decrease of 404,000 bu so far this week. When the visible supply is posted on Monday it will compare with a decrease of 2,385,000 bu last year. There was nothing of particular interest in the report of interior mill and elevator stocks, and little attention paid to same.

With some recovery in price after an early break May wheat finally closed unchangedwhile July was up 1/8¢ per bu.

Corn was somewhat neglected. There is a large crop expected in the Argentine, and already a few sales of new corn have been made from Rosario, but, of course, it will be months yet before the grain is actually shipped.

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CHICAGO MERCANTILE EX.

CHICAGO January 29, 1940.

When the wheat market opened this morning the trade was very much surprised at the sharp decline in prices, with a good number of stop-loss orders uncovered, and apparently, the new buying was of rather small proportions. Both May and July wheat were 13¢ a bu off from the season's high point reached a few weeks ago, and, despite the war and the prospectively small winter wheat crop ahead, it seems there is other news which has accounted for some of the recent pressure.

This morning, for instance, the Australian wheat crop was estimated at 204 million bu, which was the largest since 1933, and this offsets in some measure the very poor returns in the Argentine. It may mean greater pressure later on, or at least, larger shipments to the Orient in competition with other countries. Another factor was the reiteration of news which has been known for sometime, but which at least became more important marketwise when announced by the Food Research Institute of Stanford University. They commented on the price outlook in the following vein: "Despite the drastic decline in Argentine crop prospects, world wheat supplies for 1939-40 show little net change. European carryovers next August 1st promise to be larger than a year earlier, and the total world carryover may also be larger, and perhaps at a new high. In view of the large supplies, it seems questionable whether prices in exporting countries can be maintained at the levels of mid-January." The trade, of course, was prepared for this already last November, when the U. S. Department of Agriculture stated that world wheat stocks on July 1st, 1940, were expected to be 1 1/2 billion bu, which would be a new high record, and about 300 million bu above the record-high stocks of last July.

However, there are certain domestic factors which we think should be brought out at this time. One of the most important from price point of view is the loan, and if futures here in Chicago should decline another 8 to 10¢ a bu, we think a good deal of the impounded wheat would not come on the open market, and, therefore, this must always be borne in mind. Secondly, the prospects for the winter wheat crop next summer are only fair, despite the improvement in the moisture condition, and while the plant was undoubtedly protected during the severe cold spell, it still remains to be seen how large a yield we shall have. This, in conjunction with work being conducted by the Tariff Commission, which may finally restrict importations, leaves us in a position where we may be able to at least in some measure pull apart from the world bearish statistical outlook, and we think is the basis for comparatively high prices which still rule here as compared with markets, such as Canadian, Argentine, and Australian.

After the first excitement of liquidation passed, markets became calmer, with some mill buying in evidence, but otherwise, the support was only of fair proportions.

The visible supply showed a fairly heavy decrease, which amounted to 3,047,000 bu. Stocks in all positions are practically 109 million bu, or about 8 million bu larger than a year ago. There was a fair shrinkage at Chicago, local stocks declining 204,000 bu, leaving a little over 6 million bu in this market. Primaries today were a little bit heavier --479,000 bu versus 313,000 bu last week and 716,000 bu last year.

A good deal of the action came during the first ten minutes of trading, but with only feeble recoveries, May wheat finally showed a loss of 2 1/8¢ per bu from Saturday's close, while July wheat was 2 1/4¢ per bu lower.

Corn was influenced by the lower wheat prices. The visible supply decreased 2,632,000 bu, which was rather substantial. There was, however, no important feature to this market.

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CHICAGO MERCANTILE EX.

CHICAGO January 30, 1940.

It is always difficult to bring about sharp advances when speculation is so indifferent, and this has been found true not only of commodity markets, but in securities as well. With an open interest in wheat of only about 83 million bu, it shows that this cereal is more or less neglected, and as a consequence, if there is to be an upturn it may be slower in being established than if we had a large trade. Of course, it is not only the restrictions that one can blame for present conditions, as there are other factors which apparently are also responsible for keeping a good many interested people out of the market. Ordinarily, at this time of year there is a large business being reported from Southern Hemisphere countries, both to Europe and to the Orient, but other than the large sales which are being consummated from time to time by the British Government, one hears of very little that might stimulate trade. Of course, with the Liverpool Exchange closed, one also hears less gossip, and while we ourselves continue to maintain an office over there, it has been several weeks since they have given us much information, as apparently, the trade is not well informed as to how foreign business is being conducted.

From time to time we learn that almost the same indifference exists on the other side of the water as here, despite the war. Belgium, for instance, as well as other neutral countries, claims that in the first half of 1940 they expect the bulk of their requirements will be drawn from sources other than North America. This, of course, would be a blow to Canada, but will make very little difference so far as the United States is concerned, because we are not subsidizing any exports, except possibly some small quantities of Pacific Coast wheat which will probably have to go largely to the Orient, if it is sold at all. It even appears from reports that Germany has been offering wheat to Belgium, and possibly also to Holland and Denmark in exchange for feeds, but if there is any foundation for such reports, it must be largely due to the fact that supplies in Germany may not keep, and with only a small number of modern elevators, grain has been piled up even in churches and second-rate barns, where the quality of the wheat can hardly be maintained; therefore, the German government has relaxed its restrictions, both as to the amount of admixture at home and exports abroad, and possibly now it is figured that it might prove advisable to swap human food for the much needed animal feeds.

In our country there is more encouraging news coming from winter wheat areas and this morning the snow map still showed fairly good protection in the Southwest, except that Texas and Oklahoma were almost entirely bare, but nevertheless, the trade has worked itself into a rather bearish frame of mind and sentiment in this direction has increased, largely because crop scares will probably not be effective marketwise for another three or four weeks, or until more can be told about prospects. However, even at that time there may be a good deal of guesswork, but it is our own opinion that with the poor start which the plant has had, it will be more susceptible this season, or perhaps the stage is better set for damage reports than in an ordinary year when wheat has made good progress in the Fall.

Statistically there are very few changes taking place. Canadian exports were a little heavier this past week, but yet, the visible supply in that country amounts to 336 million bu, compared with only 160 million bu last year. Some people think that the Argentine wheat estimate is somewhat high, as frost damage took a heavy toll, but whether the crop is a few million bu smaller can hardly make much difference, in view of the large carryover, and also, the big yield in Australia. While very severe temperatures occurred in Europe also, it seems that heavy snows in many cases preceded the drop in temperature, and this is particularly true of Southeast Europe, although some damaging effects from heavy frost are feared in Hungary and parts of Rumania. Germany, where it has been unusually cold, claims to have a good snow covering and in France, moisture has been ample; the recent thaws have caused floods but now the weather is turning wintry with more snow in many sections.

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Primary receipts were 324,000 bu versus 390,000 bu last week and 403,000 bu last year. Kansas City and Minneapolis stocks show a total decrease so far this week of 94,000 bu.

There was little feature to the market; sentiment locally at least was mostly bearish. Not much headway was made by shorts, and at the last May wheat was 1/8¢ per bu higher, and July was unchanged, following firmness at Winnipeg.

Corn was under pressure because of low prices in Argentina, and the fear that competition from that country soon would be harmful to our export business. Primary receipts were reasonably heavy, and there seems to be a fair amount of free corn moving now to terminals, although nothing burdensome.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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NEW YORK COCOA EXCHANGE
NEW YORK COFFEE AND SUGAR EX.
COMMODITY EXCHANGE INC.

UHLMANN GRAIN COMPANY
TELEPHONE HARRISON 6282
141 W. JACKSON BLVD.

MEMBERS:
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WINNIPEG GRAIN EXCHANGE
DULUTH BOARD OF TRADE
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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO

January 31, 1940.

When traders reached their offices this morning, there was very little to guide them, but quite a number who had been bullishly inclined for several weeks have for some reason turned rather suddenly to the bear side, calling attention to the large supplies of wheat in the world; and for the time being, at least, domestic news is discarded. It is our feeling that the latter will sooner or later come to the foreground again, and is really the main factor on which to predicate finally higher prices.

In studying statistics in the State of Kansas, we find that last fall approximately 13 million acres were sown in this State. This is the smallest area since 1933, but yet, it is more than one-quarter of the total winter wheat acreage of the United States, as in all only 45 million acres were sown.

It is, of course, very important, therefore, to try to analyze what may happen, and the final results will be extremely helpful in determining domestic price levels. In December, the government gave the condition of the Kansas crop at 35 per cent of normal, compared with 61 per cent last year, and the ten-year average, 76 per cent. However, there has been considerable improvement since that time, and for the first three weeks of January, the average precipitation over the State amounted to .68 inch. The moisture was mostly in the form of snow, and, of course, some has evaporated, but we believe all will agree that there have been great benefits; so the chances are if condition could be measured at this time, it would be at a higher level than it was a month ago. The next question, and one that cannot be determined now, is the possible abandonment, which since 1932 has ranged from 14.5 per cent to as high as 49 per cent in 1935. Even last year, the abandonment was a good deal heavier than normal, being placed at 24 per cent; so, of course, nobody can state how large the area will be for the 1940 harvest. The yields also show considerable variance during the period just covered, ranging from 9.1 bu per acre in 1933 to 12.0 in 1937. There was no definite relationship between abandonment and yield, so that we can only conclude that there are great uncertainties ahead, but, in any event, we are not looking forward to sufficient recovery to give us a real good crop. Space does not permit us to analyze other Southwestern States, but we have chosen the one which, from point of view of size and production, seemed to be the most important one.

During the last week, the market has received very little support from new milling business, and apparently, the decline, instead of encouraging buyers, made them more skeptical of their position, and only orders to fulfill immediate needs were reported, according to the Northwestern Miller. The figures verify this only too vividly, and Southwestern sales averaged only 11 per cent of capacity, compared with 49 per cent the previous week, and 121 per cent a year ago. Spring wheat mills dropped in almost the same proportion, with 20 per cent being last week's average, versus 58 per cent the week before, and 50 per cent of capacity in 1939. Of course, everybody appreciates that the American people continue to eat bread, and some day, there will be a pick-up, but it has been disappointing that no improvement after inventory time took place, as so often occurs at this season of the year.

The weekly weather report from Washington did not offer a great deal of news. They claim no material change during the last week and report a good snow protection being still present over much of the principal producing areas, although in the southwestern portions of the belt some ground previously protected has become bare. We expect, however, that with mild temperatures snows will gradually melt, and this will undoubtedly bring us closer to the period when crop scares may be expected. This is particularly important this year because probably one-third of the acreage in Kansas did not sprout at

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Primary receipts today were a little heavier at 417,000 bu versus 303,000 bu last week, and 427,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decreaxe of 333,000 bu.

Traders were impressed this morning with the possibility of further moisture in parts of the Southwest, and wheat was under pressure from the opening. Toward the end of the session the broadtape carried an item stating that the President of Finland was ready to negiotate an honorable peace. This was construed by some as bearish, but as "honorable peace" probably means no concessions to Russia, it is rather difficult to see how successful negiotations could be carried on at the present time. While there was some recovery from the low point, at the close May wheat was 5/8¢ per bu lower, and July 1/2¢ per bu down.

Corn earlier was affected by the weakness in the leading cereal, and there was continued liquidation.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO February 2, 1940.

General business is complaining of moderate recessions, and there is a lull at the present time after the more active volume that prevailed towards the close of last year. This may also have had something to do with the recent decline in grains, since the volume of speculation often plays a part in commodity markets. While inventories as a whole are not excessive at this time, larger scale purchases and forward commitments have been discouraged by recurrent weakness in many sections of the commodity and security markets. Even the war has failed to stimulate much activity on this side, and this added somewhat to the general uncertainty. For the fourth sucsessive session, the open interest declined, and is now only 79 million bu, or the smallest in months, indicating great indifference on part of the public.

In wheat more attention is being drawn to the bearish world conditions, and during the first twenty-six weeks, or in other words since August 1st, world shipments have averaged only 8,607,000 bu. During the remaining half of the season, they would have to average nearly 13 million bu, if Broomhall's figures on requirements were realized. Of course, some explanation is necessary here because since the war there has been no accurate record of Australian shipments, nor have they been included in the weekly statistics; so when we finally do find out the quantities that were placed afloat by this country, we shall have to make some readjustment in the foregoing.

In Canada, we can see at a glance what has taken place during the first six months of the crop movement. Exports from that country were 87 million bu, or about 3 million smaller than last year, but at the present time there is still 376 million bu available either for export or next carryover, which is, roughly, 205 million bu greater than a year ago. So in all probability Canada will have heavy reserves when their books are closed at the end of this season and, even assuming that next year'scrop will be smaller, there will no doubt be sufficient for all purposes. We say this despite the fact that the exportable surplus of wheat in the Argentine is now placed at 104 million bu, compared with 232 million bu a year ago.

Clearances from the United States continue very small, and while undoubtedly some late export sales under the subsidy have been accomplished, we have actually shipped only 30 1/2 million bu since July 1st, which means that if we wanted to figure closely, and allow for only a minimum carryover, we could still export 154 million bu. However, with the uncertainties of the next crop, the government has apparently seen fit to restrict shipments, and, therefore, subsidies are only being paid on small quantities from the Pacific Northwest, and this wheat will probably be destined for China when, and if, sold.

There was a little better tone this morning at Winnipeg, with export sales of Manitoba wheat estimated at around a million bu. The United Kingdom was said to be the best buyer. From this our market took its cue, and despite some moisture in the Southwest with probably more in sight, we firmed up, although volume of trade was light and there was no particular feature.

Primary receipts of wheat were 336,000 bu versus 383,000 bu last week and 568,000 bu last year. Kansas City, Duluth and Minneapolis stocks show a net decrease of 347,000 bu. When the visible supply is posted on Monday, it will compare with last year's decrease of 3,215,000 bu.

The market was firm during most of the session. A little further short covering took place, with crop reports from the Southwest rather mixed in character. A few places reported beneficial snows, while elsewhere it remained rather dry. However, the wheat plant is mostly dormant, so it will be several weeks yet before intelligent comments can be made with any degree of accuracy. At the last May wheat was 1 1/8¢ per bu higher, while the July advanced 1/4¢.

Corn was up in sympathy with the leading cereal, despite a fairly moderate primary movement. Rye also recovered and there was little heard of Argentine competition, although the latter is still a factor and affords some thought to the Canadians who would undoubtedly like to ship more of their crop into exporting channels.

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CHICAGO MERCANTILE EX.

February 5, 1940

There are still conflicting reports coming from the Southwestern wheat districts, but more precipitation had occurred over the week-end, and there is no doubt that improvement must have taken place since the government report was issued last December. A good deal of snow had melted away, but apparently, a fresh blanket during the past 72 hours has brought considerable moisture, and today's reports from Kansas were quite optimistic. Around Hutchinson, the snow measured nearly 4 inches and it extended more or less to the Colorado border. As far west as Garden City, there had been 5 inches of snow, which is equivalent to nearly one-half inch of rain; and in the Southwest sector they had a 7 inch snowfall; so very little can be said about the plant now, which is in a dormant state, and we believe that this situation will continue until we have another thaw and growing weather sets in.

The market, however, was not weak, and apparently, after a 15¢ break from top levels, a good many lines had been liquidated; also, shorts had become encouraged, and therefore, it took only small commission-house buying this morning to rally prices. The fact that a cargo of wheat had been sold from the Pacific Coast under the subsidy, which in this case amounted to 32¢ a bu, encouraged speculation to some extent, and also, the fact that the corn market rallied, gave impetus to a better buying spurt.

World shipments of wheat and flour this week were about 8 million bu, compared with 14 million bu last year. However, the showing is not as bad as these figures might indicate, owing to the fact that Australia is not included and her statistics are kept secret because of war. It is possible, however, that Australia may have shipped 2 million bu, or more, but we shall not know of their activity until a later period.

On Saturday, there were some rather interesting statistics given out with regard to the total losses of Argentine grain through shipment to Europe and other points. It seems that since war started five months ago, only 50,000 tons of wheat were sunk, and the amount of grain and linseed that had been sent to the bottom by the sinking of eighteen carriers was but 2.8 per cent of the total shipped. It, therefore, is a fact that under the convoy system, the actual losses are much smaller than they were during the World War, when possibly one out of every ten steamers failed to reach its destination.

It is probably too early to consider the question of precipitation in our Northwest, or in Canada, but possibly interesting to note that from September to the end of January, Canada received an average of 3.39 inches of moisture versus 4.96 last year, 4.85 two years ago, and 4.35, the normal. It is impossible, of course, to state in February whether next year's crop will be smaller because of this record, but, in all probability, the yields next summer will not be as large as the season just completed. Of course, much will depend upon developments later on, and in any case, there is some deficiency which will have to be made up in order to get the best results.

Little was heard of fresh export business except, as stated earlier, the one subsidized cargo. However, Canada, under its previous large contract with Britain, seems to place fair amounts of wheat afloat every week, and clearances were 4,611,000 bu from North America this past week, or about one million bu smaller than the week before.

(OVER)

However, the Winnipeg market ruled firm, largely in sympathy with a better price level here, and there was some spreading around the 7¢ level by way of sales in Winnipeg October against purchases of Chicago September. This has become a little more popular, despite the discount of the Canadian dollar, on the theory that large Canadian supplies may keep that market at a big discount under ours, particularly with our crop scares ahead, and also, some uncertainty because of the loan.

Primary receipts were slightly larger at 419,000 bu versus 479,000 bu last week, and 661,000 bu last year. When the visible supply of wheat was posted, it showed a decrease of 2,212,000 bu; total stocks in all positions are 9 million bu greater than last year. The shrinkage at Chicago was nominal, at only 81,000 bu, with 6,103,000 bu still remaining in this market.

Prices were moderately firm most of the session, and there was no particular feature, but probably it was a normal reaction after recent weakness. May wheat closed 1/2¢ per bu higher, while the July delivery advanced 5/8¢ per bu.

Corn was fairly strong today; some export business apparently was put through, and in addition to that, a report from down state claimed that the country selling had dried up and that sealing operations were showing a marked increase. The same party claimed that there were indications that from 20 to 25% more corn might be impounded than last year in Illinois, and this had a somewhat bullish market effect.

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CHICAGO MERCANTILE EX.

CHICAGO February 6, 1940.

We believe the Bureau of Agricultural Economics at Washington states it well when they say that domestic wheat prices during the next few months will depend largely upon the volume of overseas sales of Canadian wheat, general business conditions, and the manner in which farmers dispose of wheat now under the loan. Of course, to this must be added crop prospects in the United States, as, after all, we are more or less on a domestic basis at the present time. In other words, our prices are not high enough to tempt imports from other countries, and at the same time, we are too high to do any export business except under the subsidy. Prices of hard winter wheat at Gulf ports are between 28 and 30¢ above export parity, while on the Pacific coast yesterday it was reported that a cargo of wheat had been sold to China with a subsidy of 32¢ a bu. During the past month, about one million bu of wheat, including flour, had been sold from the Pacific Northwest to Eastern United States' markets, and this was the reason for re-establishing the export subsidy, in order to avoid harmful competition of that kind, and we believe that for all practical purposes, this end was accomplished.

There have been a great many people bearish on domestic futures because of the fact that surplus stocks were piling up in other parts of the world. The figures rather speak for themselves in this regard, as world stocks on July 1, 1938, were 590 million bu; last July they were estimated at 1,189 million bu, while the projected July 1, 1940, world's carryover, according to the government, will be about 1,469 million bu. The latter, of course, is subject to some changes on basis of revised production estimates in various countries, and also, net exports from Soviet Russia. To put it bluntly, the international price of wheat cannot be extremely high under these conditions, but just to what extent it will affect us domestically is something that is not yet entirely clear. Also, the war has not brought about great changes, and there are no marked differences in the wheat acreage likely for the 1940 crop in Europe from those of last year.

There is, of course, a good deal of guesswork as to our winter wheat situation. Generally speaking, the weather since Christmas has been better than normal, following an adverse fall. There are some optimistic reports coming from both Kansas and Nebraska with regard to snow covering, and this is bound to impart moisture to the soil. Some describe it as snow which is well crusted, and which will not blow. Coming on top of previous moisture it should even penetrate into subsoil, but there is undoubtedly a large section where the plant did not germinate, and it still is a grave and doubtful story as to what yields may be expected from territories of this description. It will certainly be one of the most interesting seasons to watch the outcome later on, and we feel there are enough uncertainties for the moment, at least, so that there can be no definite trend to prices.

Primary receipts of wheat were 327,000 bu versus 324,000 bu last week, and 355,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 14,000 bu.

There was a fair amount of short covering, and this found the market rather bare of offerings, the result being that prices were bid up nearly 1¢ per bu before much could be purchased. The open interest which recently declined to about 79 million bu demonstrates that liquidation must have been pretty thorough, and despite rather favorable weather which now exists in the Southwest, May wheat finally showed a gain of 1 1/4¢ per bu, while the July delivery was up the same.

Corn was also firm, and little attention was paid to news from the Argentine. Recent wide-spread rains in that country have enhanced prospects, and in addition to that, it is claimed that the area planted will be about 18 million acres --an increase of nearly 5 million [illegible] over 1939. Later on competition for export trade may be a factor, although at the moment we are doing business from here with intermittent regularity.

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CHICAGO MERCANTILE EX.

CHICAGO February 7, 1940.

It was just ten years ago today, February 7, 1930, when the first extreme step was taken to maintain wheat prices in this country. Chicago May wheat at that time was about $1.20 3/4, and it was claimed that these were ruinous prices for the farmer; on that day the Advisory Committee of the Farmers National Grain Corporation recommended to the Federal Farm Board the creation, under the provision of the Agricultural Marketing Act of the Wheat Stabilization Corporation, to temporarily absorb and withhold from the market large surpluses. They furthermore advised the use of a $500 million revolving fund made available under the Act. The disastrous effects of the operations of the Farm Board are now a matter of past history. Since that time many other policies have been adopted in an attempt to better the lot of the farmer. We next had the theories of Professor Warren, and others, regarding a commodity dollar put into practice, but since discarded. They claimed that the price of commodities could be made elastic and controlled by the price paid for gold.

In more recent years, endeavors have been made to increase the purchasing power of the farmer through commodity loans, through curtailing of acreages, and the expenditure of vast sums of monies.

Despite the Herculean efforts to help the farmer, no permanent program seems to have as yet been devised, and the advance which has taken place since last fall has been due to the outbreak of war in Europe, andto the severe drought which existed in the winter wheat section during the fall of 1939.

During the last ten years the farmer has temporarily benefited by parity payments and other grants from the government. However, very little attention has been paid to the diversified interests built up over a period of many years to market the products of the farmer at a very low cost of handling. Many modern elevators which had been built at a great expense to help merchandise grain, are in an absolute condition of stagnation, as they cannot function unless there is a normal flow to market. Whether they can survive conditions under which they have to work today, remains quite a problem. Furthermore, the railroads have suffered a great loss of revenue through the failure of grain to move from country points to terminal markets, and to the seaboard for export; also jobs of many thousands of men who handle grain in one capacity or another are in jeopardy.

Traders continue to watch closely weather developments in the winter wheat sections. According to the official report of the Weather Bureau, Kansas has a snow covering of one-half inch to 4 inches; Nebraska, about one-half inch in the west to 8 inches in the central section, and 2 to 4 inches in the east. In Texas and Oklahoma, the covering is practically nil. The government weekly weather and crop report comments that warmer weather the latter part of last week reduced the snow covering in the winter wheat section east of the Mississippi river, but in the western belt general snow, and [illegible] the south central plains, particularly in Kansas yielded from one-quarter to one-half inch of moisture and that the subsoil moisture depths are now from 2 to 6 inches. In Oklahoma, the freeze damaged oats heavily but the extent of harm to wheat is still uncertain. In Texas, there was some damage to wheat, but apparently only a small amount was killed outright.

There are still many diversified opinions as to the condition of the crop in the Southwest, and we believe this will be the situation during much of the growing season, particularly as to the amount that will be raised where the wheat did not germinate during the fall period. For example, we are in receipt of a letter today stating that one of the parties returning from a trip through the Panhandle advises that one of the largest crops of wheat ever raised in that part of the

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country was raised out of wheat that did not come up until February, while another party stated that he could never recollect where wheat that came up at this time of year ever amounted to anything. These are typical arguments that we feel will be constantly agitated until the crop is made.

The Commodity Credit Corporation reported that through January 26th, the outstanding loans against the 1939 crop amounted to 147,814,144 bu, a decrease of 4 1/2 million bu from the report issued ten days earlier, while the Federal Crop Insurance Corporation reported that they had acquired 12,159,000 bu of wheat as premium payments.

Primary receipts were 277,000 bu versus 326,000 bu last week, and 340,000 bu the same period last year. Kansas City and Minneapolis so far this week show a total decrease of 269,000 bu

During the early part of the session short covering was reported by some of the locals, but on advances the market ran into profit-taking, and at the close both May and July wheat were 1/2¢ per bu lower. There seems no particular trend at the moment.

Corn fluctuated within a rather narrow range.

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CHICAGO MERCANTILE EX.

CHICAGO February 8, 1940.

It is pretty well established that the Australian wheat crop was one of the largest in recent years, and the latest estimates have been raised sufficiently high to offset any possible reductions that may be made in the Argentine crop from recent expectations. It is most difficult to follow accurately the Australian situation with respect to exports since great secrecy surrounds it during war time. There are some figures which are obtainable, such as the visible supply, which is now 143 million bu compared with only 84 1/2 million bu a year ago. According to Sanford Evans, grain and statistical authority of Canada, there has been no definite plan established for shipment of the 60 million bu of Australian wheat purchased by the British government; but he claims that Broomhall reports that it may possibly be moved overseas by neutral steamers or sailing vessels to Canadian or American ports, and thence for re-shipment to the U.K. However, if anything like this becomes necessary we believe that the intricacies would be so great that finally Australia may be left with a large surplus at the end of the season. This, in turn, might give Canada a better opportunity of selling wheat, and of course it would be a welcome thought for that country, owing to the fact that total supplies, exclusive of what is held in farmers' hands, amount to 335 million bu, or about 179 million bu more than a year ago.

In our own country, exports have virtually come to a standstill, except for the small quantities that are being subsidized from the Pacific coast. With the first six-months crop statistics fully in hand, we think it might be interesting to take inventory of domestic conditions as they were on January 1, 1940, and for this purpose possibly tabulated figures would be simpler to demonstrate what has taken place. The following is therefore submitted in millions of bushels:

	1939-1940 season		1938-1939 season	
Crop		755		931
Carryover		254		153
Total supplies		1,009		1,084
Exports for 6 months deducted		29		42
		980		1,042
Jan. 1 stocks				
Commercial visible	132		128	
On farms	238		280	
Interior mill & Elevator	128		137	
Merchant Mills	114	612	107	652
Disappearance for six months		368		390

The government has estimated a somewhat smaller domestic disappearance for this crop season than for the previous one, and the above figures would rather substantiate that they were correct in their reasoning.

The trade today paid very little attention to the overnight weather, although fairly good moisture occurred in the Southwest in the form of snow, with more precipitation likely. Also it is expected that the central states will be benefited, but the Kansas forecast for a cold wave tonight, with temperatures possibly 5 to 10 above zero, had more influence; and this we believe was the main influence that brought in local buying. According to a weather bureau report from Topeka, Kansas, January was the coldest month of any named in Kansas

(OVER)

since state-wide records were begun in 1887, but also they claimed that more snow fell than in any January. This suggests that there will be many arguments in the weeks to come as to which element was of greatest importance. In other words, some will claim that the cold weather offset the snow covering, while the reverse attitude is being affirmed by others. As long as such great differences of opinions exist, we shall probably have to wait for further developments before the real prospects can be better determined.

Primary receipts are still light; today they amounted to only 323,000 bu versus 417,000 bu last week, and 410,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 409,000 bu.

It was apparent right from the start that a much more bullish sentiment had replaced a feeling of pessimism which we had in past sessions; and this referred to coarse grains as well. In fact, even oats displayed greater strength than at any time in weeks, and a general confidence suggested that the trade was looking for further rallies in all cereals following a period of bearishness all around. In wheat many pointed out that by the end of the month crop scares would be a factor, and this also brought in more investment buying from the outside, with the tenor of commission house comments somewhat bullish.

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CHICAGO February 9, 1940.

We are convinced that the world's wheat consumption would be larger were it not for the fact that there is intervention on part of several large governments. In North China, for instance, there is a scarcity of wheat, made more acute by arbitrary price fixing and the commandeering of stocks by Japanese and Chinese authorities. As a matter of fact, Japanese residents are able to obtain what they need from the official organization at a fixed price, but the Chinese population, and particularly the poorer classes, are unable to obtain any cereals at all. Another example of restriction came to us a week ago when the Canadian government armed itself with a mandate which prevents the export of any article to a neutral country adjacent to the enemy. This order will directly affect Belgium and Holland, both large consumers of Canadian wheat, and sales will have to be made only after a license is obtained for shipment to either of these countries. Of course, such license would probably only be refused if it were considered likely that the grain were finally destined for German consumption. In any case, various measures of the type just related are bound to create a smaller world's absorption.

The carry-over feeling from yesterday was quite bullish. Various commodities had risen in price, also the stock market had a very firm undertone, and sentiment is a very important factor in speculative dealings. More people are concerned as to what effect the cold weather may finally have upon wheat yields next summer. This is true not only of the United States, but also of Europe, were temperatures have probably been more severe than at any time in recent history. Despite the intense cold, Broomhall points out that past experience has shown that a hard winter in Europe is followed more often than not by a good harvest, although it is true that frosts can be harmful on occasions. After all, and this is fortunate, wheat is a hardy plant and not easily damaged.

From a statistical point of view, there are very few changes taking place. For the first 27 weeks of the crop season world wheat shipments have only averaged 8 1/2 million bu; this, however, will be subject to minor corrections owing to the fact that Australian clearances have not been included because of the war. But the apparent balance to be shipped between now and next August is close to 13 million bu each week if world requirements of 560 million bu are to be attained, and we see little likelihood that this promise shall find fulfillment. Canada, with the second largest crop on record, has shipped only 92 million bu of wheat and flour since August 1st--actually less than the previous season in spite of war. She still has 204 million bu more that could be shipped than the year earlier, which would indicate that at the end of the crop year Canada will undoubtedly be confronted with a very large carryover. Our domestic figures hardly change from week to week, and we conclude, therefore, that very little has been shipped from the Pacific Northwest. Actual U. S. overseas exports since July 1st are but 30 1/2 million bu, and we are looking forward to a carryover five months hence of nearly as much as the government has in mind --possibly somewhere in the neighborhood of 275 million bu.

We understand that the Commodity Credit Corporation announced today that all wheat loans on 1939 wheat will mature on April 30, 1940, and so far have announced that there will be no extension of loans in Kansas. This is about in line with previous inferences, but apparently the Department of Agriculture is desirous that every producer in the country shall have ample time to make his financial arrangements, and the present warning is to the effect that no extension should be looked for.

(O V E R)

Primary receipts were particularly light today at only 252,000 bu versus 336,000 bu last week and 303,000 bu last year. Kansas City, Duluth, and Minneapolis stocks show a net decrease of 531,000 bu. We are not looking forward to a very large decrease in the visible supply on Monday; when the figure is posted, it will compare with a shrinkage last year of 3,234,000 bu.

There was very little feature to the market, and the early strength was not maintained. Real cold weather over the winter wheat belt failed to materialize, and, moreover, the snow covering seems to be fairly adequate. At the last May wheat was 1/8¢ a bu lower, while the July delivery was unchanged.

Both corn and oats closed lower. Trade in these two commodities was rather disappointing, but there was no special news today to influence the price level in either direction.

UHLMANN GRAIN CO.

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COMMODITY EXCHANGE INC.

UHLMANN GRAIN COMPANY
TELEPHONE HARRISON 6282
141 W. JACKSON BLVD.

MEMBERS:
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WINNIPEG GRAIN EXCHANGE
DULUTH BOARD OF TRADE
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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO Feb. 13, 1940.

Formerly, most nations depended upon foreign trade to supply deficiencies, but the refusal to admit of the free flow of commerce to those in need of basic raw materials is simply an invitation for such nations to seek sources of supply within their borders. Since the Revolutionary War, we produced wheat surpluses in this country and disposed of them, but despite popular conception to the contrary, wheat at the present time is no longer much of a surplus commodity as it was in the past. Out of approximately $1/2 billion worth of exportable surpluses, cotton represents over 70%; tobacco, over 14%, and the entire remainder is about 15%. Nevertheless, cotton, tobacco, and wheat represent the three leading commodities of which we enjoy a normal surplus, and these in turn are deficit goods in the leading nations of the world. At the present time, the countries in need of our surplus commodities are the so-called aggressor nations; namely, Germany, Italy and Japan. It is presumed that at least during the war Germany is pretty well eliminated as a customer, owing to the blockade, and while England imports about half the wheat in a normal year that Europe requires from Abroad, it is a fact that she can get supplies very easily from her own nationals, such as Canada and Australia. Thus, we find ourselves only making shipments under a very heavy subsidy, with considerable loss to the American treasury.

While the American people were celebrating the birth of Lincoln, there was very little activity in international grain circles. Canadian prices were slightly higher on the grounds that dust storms had occurred in our Southwestern areas, but the snow map still showed fair protection, and therefore, we hardly deem the above a valid excuse for even fractional advances. It would have been more sound had they attributed it to damage reports to the European crops, as numerous trade statements during January indicated the probability that low temperatures and lack of snow covering over an area extending from the Black Sea to Belgium and south into Italy, might result in more than normal damage to winter cereals

Regardless of recent small fluctuations, there does notappear to be any definite trend, although today the old crop future in Chicago: namely, May wheat, was under some pressure because it is figured that the impounded wheat will finally come on the market, and most of the new buying centered in July and September, which are the new crop months. As near as we can tell, there are still 146 million bu of wheat tied up under the loan, and an additional 12 million bu is held by the Crop Insurance Corporation, which wheat has been gathered together to protect the 320,000 wheat growers who have taken out all risk crop insurance on the 1940 harvest. This insurance reserve is stored in 97 locations in 16 states of the Union, and later on, if the farmer is to be paid in cash, it is possible that the wheat may again come on the market.

We believe that in view of the very spotted condition of the crop, all kinds of news will soon become a factor. Despite the liberal precipitation the past month and a half or so, it is going to take a good deal more rain and snow to offset all the disadvantages under which the crop was seeded. Oklahoma is in pretty poor shape, and it is doubtful whether the final returns will be very encouraging. However, we heard from a very important and well posted Texas miller this morning that his State could make a normal crop of between 25 and 30 million bu, provided the proper moisture comes later on. He believes that conditions are pretty fair at this time and is reasonably optimistic for the future.

When the visible supply of wheat was posted it showed a decrease of 2 1/2 million bu; total stocks in all positions are slightly over 104 million bu, or roughly 10 million bu greater than last year. In Chicago there was a shrinkage for the week of 261,000 bu, leaving 5,842,000 bu at this point. Primaries were rather unimportant, and little attention paid to same.

The market here was rather featureless. It seems that a little more storage wheat is coming out, and with a very small demand this gave us a lower market, with May wheat closing 5/8¢ per bu down, while the July delivery was 1/8¢ per bu lower.

Corn was about steady. The visible supply was a standoff, and the trade is waiting further developments. It is felt, however, that an advance of 3 to 4¢ a bu might bring about a heavier movement from the country.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO February 14, 1940.

Conditions are quite different from those during the World War, because at that time there was a continual rising tendency for almost everything, and some products advanced as much as 300 to 400 per cent. There were exceptions, of course, and one of them was coffee, where prices ruled extremely low and could not be raised for the reason that Germany and Austria, which were large consumers in ordinary years, could not obtain same. Thus, a surplus was created which could only be marketed at a sacrifice.

At the present time, of course, the blockade is preventing Germany from getting normal requirements even under a barter system, and furthermore, the allies are trying to conserve dollar exchange in every way possible, buying from those countries where they can either use credit or sterling, with the result that there has been no marked purchasing to inspire general business. In fact, we are experiencing at this time a war-extended world economy where England is using very sparingly its gold resources in the United States, and thus world markets can hardly fail to recognize that buying power of that kind has its limitations.

We are convinced that international wheat prices have not risen much due to hostilities, although it might all come later if the war lasted for many years and manpower were taken from farm to the battlefield. Moreover, there has been very little fighting or actual destruction, so that prices, generally speaking, are responding more to other factors. One might note that European crop comment is somewhat pessimistic because of the exceptional cold, and while the probability of injury has been acknowledged in only a few countries, it is impossible to gauge at this time with any degree of certainty the actual extent of damage until we get a period of growing weather. There was in Europe a week of milder temperatures, during which period good snows occurred, and these were helpful, as it has again turned cold and the chances are that further losses are checked. Broomhall also intimates that wherever possible efforts will be made later on to make up for winter losses through increased spring seeding. However, whether this will add much to the final results is still problematic.

In our own country there is great diversity of opinion. Some reports coming to hand claim that wheat which was thought to be dead is greening up now, while elsewhere more pessimism prevails. Generally speaking, the plant remains dormant in the main producing sections, and no much can be determined this early. In the Ohio valley, considerable ground became bare of snow covering during the week and the effects of intermittent freezing and thawing are reported as being bad, particularly on the heavy clay soils. In Missouri, the snow covering is gone, but apparently, the wheat came through in good shape. One of the best states seems to be Texas, where wheat is reviving nicely and conditions are fairly good except in some drier localities. The general outlook continues poor in Oklahoma; in Kansas, the plants are still dormant, although greening up in a few places, with some snow still left standing on the ground.

Regardless of final results, there is one big offset: namely, the prospective carryover next July, which is estimated between 275 and 300 million bu, and would compare with other years as follows:

1923-27	average	118 million bu	1933	average	382 million bu
1928		115	1934		274
1929		232	1935		148
1930		294	1936		138
1931		329	1937		83
1932		391	1938		154
			1939		254

(OVER)

There was no feature to the statistics. Primary receipts were 395,000 bu versus 217,000 bu last week and 450,000 bu last year. Kansas City and Minneapolis stocks so far this week show practically no change.

After a somewhat lower opening, prices firmed up, with local short covering a factor, but on the whole trade was extremely dull.

According to advices from the Northwest, there is a pretty fair snow covering in the spring wheat districts, possibly 5 to 7 inches, spread quite evenly, as drifting has been light. However, a moisture deficiency still exists.

May wheat closed 1/4¢ per bu higher and the July future was up 3/8¢.

Corn was firm, and the trade is awaiting new incentives. Receipts are of fair volume and would doubtless increase if prices advanced. This we believe places a certain ceiling over the market.

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CHICAGO MERCANTILE EX.

February 15, 1940.

There is very little grain news at the moment, and it is not a simple matter to accept all statistics at their face value because of the war. For instance, some are pointing to the fact that world shipments since August 1st have been 49 million bu smaller to Europe than a year ago, and that ex-European nations had taken 22 million bu less, or a total of 71 million bu for the combined reduction, as compared with a year earlier. However, this is not altogether correct, as Australian shipments are not included at the present time owing to censorship. Regardless of this, we are convinced that the total world requirements at the end of the season will be disappointing, and here again is an illustration of how the present war differs in some respects from the World War.

Our market this morning was influenced by a report that five cargoes of U. S. wheat had been sold from the Pacific coast, apparently to Russia, and this appears to be business which was turned down by Canada a few weeks ago, as the latter country did not want to sell grain where there was the possibility that the final destination might be Germany; therefore, we have benefited to a slight extent in accomplishing this additional export trade.

Estimated shipments this week from the Argentine are down to 2 million bu, and during the past few weeks there has been a declining tendency, possibly due to the fact that European buyers are stipulating "old crop supplies" because of the inferior quality of of this season's wheat. However, the exportable surplus, based on the first estimate of production, is around 97 1/2 million bu allowing an average of about 2 million bu a week for export until next December. The Argentine market was very strong yesterday on a report that the government would revise its figures, and we believe that short covering in anticipation of probable reduced yields bears out this thought. The last official estimate was for a crop of about 147 million bu, but private observers had contended for sometime that this was too high.

Weather in our country seems to be rather favorable, and the map suggests moisture starting tonight, which may continue tomorrow. The rains and snows may not be heavy, but in any case it will be some help, and based on this prediction, first prices were somewhat lower. There is a good deal of argumentation still as to what final yields will be, but this morning we heard of reports from eastern Colorado and western Nebraska that wheat was sprouting, and that farmers were more hopeful for a crop. The government estimate last December was already so low that any change would almost have to be for the better, particularly in view of moisture conditions which have ruled since Christmas, and which have brought about a certain amount of improvement. There probably has been more seeding in the Southwest since December 1st than ever before, but it still remains to be seen how much of this late sown wheat will finally yield any sort of return.

Primary receipts were slightly larger at 429,000 bu, indicating probably that farmers were selling a little more of their loan wheat. Last week they were 323,000 bu versus 332,000 bu a year ago. Kansas City and Minneapolis stocks so far this week show a total decrease of 254,000 bu. The open interest has gone up slightly the past few days, but is still less than 81 million bu, showing general indifference on part of speculators.

Trade in the wheat pit yesterday was less than 15 million bu, and apparently new incentives are necessary to take the market out of the present rut. Possibly this will come when crop scares start. At the last May wheat was up 3/4¢ per bu, while July wheat advanced 1/2¢ per bu.

Corn was slightly higher. Conditions in the Argentine continue favorable for a big crop, and the outlook is fully maintained. However, high freight rates, including recent sharp advances will hurt farmers in that country, but we believe that later on in spite of this factor, export demand will gradually be taken care of by Argentine supplies.

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CHICAGO MERCANTILE EX.

CHICAGO February 16, 1940.

About the same tenor of news and statistics continue to feature the market. It is rather monotonous to have to say this day after day, but, after all, crops have been gathered, and not many changes can take place; so we shall have to live with present statistics for sometime to come.

We had mentioned yesterday that possibly the Argentine crop would be revised downward in tonight's report, but this can make no great change in the world picture, particularly since the Australian crop turned out much better than earlier expectations. While the Commonwealth had expected yields of 186 million bu a few weeks ago, it is now considered more than likely that the final returns will show a crop in excess of 200 million bu.

The one country that still has the largest surplus is, of course, Canada, and stocks in all positions, exclusive of farm holdings, are 332 million bu, or roughly, 178 million bu more than last year. Therefore, there should be ample supplies for all importers' requirements. At the moment we find the demand better, but yet spasmodic, probably one of the chief reasons being the extremely high freights. Freight had again risen, and 90¢ per one hundred lbs. is bid for boats carrying wheat from New York to Antwerp. Under such circumstances, great economies are bound to take place, and we still feel that total shipments for the season will be considerably smaller than those estimated previously by Broomhall. With a little more wheat and flour leaving the country now because of Pacific coast subsidies, we find that the United States since July 1st, has shipped a total quantity of wheat and flour amounting to 31 1/2 million bu. This brings us to the conclusion that we could ship 152 million bu and still have enough to go around, and end up with a small carryover, but, of course, nothing of that kind is apt to happen; nor is it even the intention of the government that we should export such large quantities, owing to the uncertainties of the next crop.

In looking at the moisture data, we find that Kansas during January had 124% of normal,and Nebraska 131% of normal; Colorado was favored even more generously, their precentage being 182%. However, taking into account the general condition since last August, we notice that there is still a great deficiency, and in Kansas total moisture is only 64% of normal; Nebraska, 54%; and Colorado 70%. Consequently, spring rains will be needed more than ever in order to give us average results. Moreover, with the crop having started poorly, we doubt whether anything like a full recovery could be expected.

It is a little too early to worry much about Canadian precipitation, but, according to Broomhall, most stations reported less than the normal rain and snow from the period of October to February; and this is a reminder that the 1940 crop has little chance of being excessively large, as was its predecessor.

The market today was influenced by the weather map, and rather general, but light, moisture is expected during the next 48 hours. Also, with no further sales to Russia, hedges were not removed, as was the case yesterday, when it seems that a total of eight cargoes had been sold, or the equivalent of about 2 1/2 million bu.

Primary receipts were 347,000 bu, which was not particularly heavy, but somewhat better than last week when they were only 252,000 bu, and compares with 256,000 bu last year. Kansas City, Duluth and Minneapolis stocks show a net decrease so far this week of 247,000 bu. We are bound to have a fair decrease in the visible supply on Monday, which will compare with last year's shrinkage, corresponding day, of 1,717,000 bu.

There was very little feature to the market early. Even the sale of about 4 million bu of Manitobas had very little effect, as traders had borne in mind that most large export sales were followed by a period of dullness. However, in the last half hour there was some eastern buying, shorts all came in at once, and there was practically no wheat on the market. Prices were bid up sharply, with the close showing an advance of 4 1/4¢ for the May Delivery, while July wheat was up in about the same proportion. Some investment buying also took place on the theory that February 22nd is about the calendar period for making purchases.

Corn was up fractionally, helped by the tremendous strength in wheat, but there was not near the excitement in this cereal, as undoubtedly sharp advances would bring out a heavier country movement.

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CHICAGO MERCANTILE EX.

CHICAGO February 19, 1940

In the drive for dollars to pay her war bills, Great Britain has partially mobilized British-owned American securities, and by an order issued last night their Treasury announced that all private holdings of a list of 60 U. S. securities, marketable in New York, must be sold to the British government. The prices were set at sterling equivalents of current dollar prices. This move was not unexpected as there is still an enormous gap between revenue and probable expenditures during the present year; therefore, every effort is being made to prevent general inflation of money values. There is no doubt that this is one of the reasons there has been rationing and a ban on goods of luxury and semi-luxury types. According to the London Economist, inflation in a war economy can best be defined as "spending by the government of money that has been newly created for the purpose." If, for every pound that the government spends, some private individual or institution has foregone the expenditure of a pound he would otherwise spend, it is not inflation, even if the money not spent was devoted to the payment of taxes or to subscriptions to war loans. It is only when expenditures by the government increase without a reduction in the expenditures by the people that inflation is in evidence. It is rather difficult to apply the old, orthodox yardstick, because today there is such great control in the hands of the central government. It seems to be the objective that the general savings of the people should be increased by every available means, including the restriction of all expenditures, and that these savings should then be borrowed at a low interest rate by the government.

Very beneficial moisture fell over the week-end in a great part of the winter wheat section, and some further moisture is indicated. According to the official report, Kansas has a snow covering of 1/2 to 2 inches; Texas, 1/2 inch in the Panhandle, and Oklahoma, 1/2 to 4 inches. Some of the private reports which we are receiving indicate considerably more. For example, one message from Oklahoma states that Alva has had 13 inches; Buffalo, 13 inches; Oklahoma City, 12 inches; and Kingfisher, 11 inches. There can be no doubt that the snows and rains are proving very beneficial. We have pointed out several times in our letters that the moisture since the first of the year has been above normal, although there was great deficiency during the fall and early winter months. The final outturn of this crop will depend entirely upon weather conditions between now and harvest time. As to how much of a crop the wheat that did not germinate last fall will make remains to be seen. However, we do know that the present moisture is above normal, and therefore, the extremely low condition that was indicated in the official forecast of last December must be showing improvement. In other words, when a crop starts from a very low condition, if the weather is at all favorable, chances are the condition will improve, and by the same token, when conditions start out to be perfect, they usually decline to some extent.

World shipments this week totaled 7,540,000 bu versus 11,609,000 bu last year, but it must be borne in mind that no figures from Australia are available now. Of this amount, North America contributed 4,425,000 bu. Since July 1st, world wheat and flour shipments have totaled 300,007,000 bu against 360,769,000 bu the same period last year, while from North America, shipments since July 1st have totaled 123,264,000 bu, compared with 156,042,000 bu during the like period a year ago. The Australian crop is officially estimated at 210,448,000 bu and the Argentine production at 118,009,000 bu, making a total of 328,457,000 bu, compared with 490,627,000 bu last season. According to Broomhall, the Australian millers are encountering great difficulty in selling flour to the Orient due to lack of freight and currency uncertainties. As a consequence, the visible supply in that country is the largest in years, totaling 147,500,000 bu versus 76,500,000 bu last year.

(OVER)

The wheat visible showed a decrease of 2,174,000 bu, versus 1,717,000 bu last year, and now totals 102,047,000 bu, which is 9,465,000 bu larger than last year. Chicago stocks decreased 236,000 bu, leaving a balance of 5,606,000 bu. The primary receipts today were 649,000 bu. Owing to a holiday last week, comparison cannot be made, but last year receipts were 471,000 bu.

Local traders seemed to disregard entirely the improved weather conditions, and wheat was in demand most of the morning, with offerings extremely light. However, towards the close, there seemed to be some evidence of pressure being exerted by redeemed loan wheat, particularly coming from the Northwest, and at the close May wheat was 3/8¢ lower, while July was 1/8¢ higher.

Corn behaved rather indifferently. The demand is quiet and the unsatisfactory corn-hog ratio has discouraged feeding operations.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO February 20, 1940.

The trade never knows exactly what to expect at the opening of the market owing to the fact that there is so little to guide us from abroad, and with Liverpool closed and hardly any export business from the United States, we are entirely dependent upon other factors. The fact that yesterday's bulge failed to hold was regarded in some quarters as an indication that there was too much loan wheat being released, and that temporarily it might be difficult to bull the market, in spite of crop scares. This was probably the reason for early weakness, although domestic flour business has been considerably better during the past few sessions, and this has meant the removal of hedges from the market, which was a sustaining influence.

For the time being, at least, it will be rather difficult to have many adverse crop reports, as the Southwest has received beneficial snows, and to that extent the picture has changed from the gloomy outlook which existed early in December. Later on we are convinced that a good many of the experts will point to the poorly conditioned plant, and may even claim that it may have succumbed to the weather, having experienced a very cold January, and in fact, according to the weather bureau, it was the most severe in Kansas of any since 1887. On the other hand, more snow fell than in any other January, and it was almost a daily occurrence the first twenty days of the month, with further precipitation since that time, so that many pessimistic opinions have been modified.

There is a good deal of speculation as to what European yields will be, owing to the fact that the cold weather has probably been more intense than in the last 500 years, but yet, the varieties of wheat grown in Northern and Central Europe are resistant to cold, and, therefore, not many worries have been expressed up to this time, although the less hardy varieties, which are normally produced in the southern area, may reduce final yields, as severe frosts in those locations are considered exceedingly rare.

For the first time since August 1st, Canadian exports of wheat and flour have caught up with the previous season, being in excess of 95 million bu for both periods, but with the much larger crop of last summer, there is still 368 million bu available for export or carryover, compared with only 166 million bu in 1939, or in other words, 202 million bu more. So it is almost a foregone conclusion that Canada will carry much larger reserves into the next crop than was the case last August. In fact, the world carryover will probably be a record one, so that smaller crops in various countries would almost be a blessing, insofar as it affects the international price level.

The CCC reported that 142 million bu of wheat remained impounded as of February 8th, but from our own experience, we believe that the withdrawals have been quite heavy during the past week or so, and the writer, just having made a trip both to the Northwest and to the Southwest, feels that rather large quantities are being redeemed almost daily. This has had a somewhat bearish influence upon premiums, and in fact, high protein wheat is not bringing the farmer nearly the big return on basis of futures as is often the case. It is generally felt that probably another 100 million bu of wheat will gradually come into the usual trade channels between now and the end of April, and therefore, it may also have an effect upon futures from time to time, as whatever wheat is released in this manner will prevent inroads being made on our accumulated stocks; so this factor should bear close watching as a market indicator.

Primary receipts were 519,000 bu, which was somewhat better; this compares with 531,000 bu last week, but for two days; and a year ago they amounted to 249,000 bu. Kansas City and Minneapolis stocks so far this week show a net decrease of only 60,000 bu.

During the last ten minutes of trade, the market again hit and air pocket on the upside, with May wheat advancing more than 5¢ per bu from the day's low. It seems that with the generally light trade, possibly due to various restridtions, small orders affect the price much more easily than in the past. While the full advance was not maintained, May wheat showed an advance of about 1 3/4¢ per bu, with the July delivery up in about the same proportion.

There had been very little feature to the corn market early, but when the leading cereal became so strong it had a psychological effect upon corn prices, and buying orders could only be filled at advanced levels.

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CHICAGO MERCANTILE EX.

CHICAGO February 21, 1940.

The carryover feeling from yesterday was quite bullish. The fact that the market had demonstrated such great strength during the final ten minutes of yesterday's session created considerable comment. On the whole, buying was not large, but at the same time there was no important pressure to sell, and even with a fairly large amount of loan wheat redeemed, the absorption was sufficient to make it appear almost negligible during the day's trade. We understood from some of our friends in the Northwest that there was more of the impounded wheat put on the market again, with a fairly large business transacted overnight, but again it was hardly a market factor, as commission house trade broadened considerably and as a result we had very little weakness at any time.

The grain news, if anything, has been somewhat more bearish during the past few weeks. Southwestern weather has improved crop conditions, and this is more or less confirmed today in the government's weekly report. They spoke of both rain and snow helping subsoil moisture conditions rather generally over the principal winter wheat belt, and added that the plant did not suffer serious damage from the cold weather in January. While Oklahoma has probably been one of the worst States, the progress of the wheat plant was fair, and 10 to 16 inches of snow fell in the north central and northwestern parts of that state. Of course, there will be all kinds of arguments both "pro" and "con" until the threshing machine tells the story in full, but at least there have not been any bad reports for several days now, nor is it likely that many will be heard until the snows start to thaw.

Generally speaking, Kansas still has about half an inch of snow protection; Texas, half an inch; and Oklahoma and Nebraska have one-half to two inches, with slightly more in Missouri. The map indicates that the Central States will receive some moisture tonight, and it is also likely in the Northwest, while clear weather is indicated for Southwestern districts.

In international circles some rather unusual things are happening. With very high freight rates because of the war, some Argentine wheat is being shipped to Europe via New York, and transshipment of this kind has seldom occurred in the past. Possibly a million bushels or so were handled in this way. Of course, Argentine wheat will not be an important factor this year because the last crop was very poor in quality, and the government estimated that only 118 million bu had been raised, although some claim that this is too pessimistic and that possibly later figures will reveal somewhat higher ideas.

There is no marked improvement in flour business, despite the advance. Some of the bakers who overstayed their market showed a little greater interest, but there is still much room for improvement.

Primary receipts of wheat were rather small-- only 382,000 bu compared with 395,000 bu last week, and a holiday a year ago. Kansas City and Minneapolis stocks show a total decrease so far this week of 189,000 bu.

It is interesting to note that since last Friday May wheat advanced from 99 1/4¢ per bu to $1.06 5/8 this morning, or an upturn of over 7¢. During the same period the open interest in wheat advanced from 81,154,000 bu to 82,040,000 bu, or actually less than one million bu. Therefore, it can be seen how easily a small trade influences values, and the same might just as easily have happened on the down side if sellers had taken the initiative. At the last there was an advance of 1 3/8¢ per bu for the May delivery, while the July wheat advanced 1 1/4¢ per bu.

Other cereals were influenced by the improved sentiment. Corn was somewhat higher, but there was no particular feature, and the primary movement was rather light, but the demand was also indifferent.

UHLMANN GRAIN CO.

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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO February 23, 1940

While our market was closed yesterday in observance of George Washington's birthday, Winnipeg remained open and their prices advanced fractionally. One of the reasons given was the larger shipments in recent weeks, and we now find that the total wheat and flour clearances since August 1st up to the present time have nearly reached the 100 million bu mark. This is a slight improvement compared with last year, but is not a particularly good showing, in view of the fact that Canada raised one of the largest crops on record, and moreover, one might have expected that with hostilities in Europe the demand would be greater. In any event, there is still 364 million bu available for export and carryover, or exactly 200 million bu more than there was during the same period in 1939. This also allows for a larger domestic consumption than in most years, but with high prices there is some doubt as to whether 128 million bu will be needed for seed, feed, and domestic use.

However, the trade here was in a bullish frame of mind, and we opened with a very firm undertone and later on advanced further, in spite of general moisture throughout the country and a forecast for additional precipitation during the next 24 hours. It is always difficult to make forecasts at this season of the year in regard to yields that may be harvested next summer, but we are getting more optimistic reports from reliable sources. The President of the Santa Fe Railroad claimed that recent heavy snows throughout much of the territory served by his railroad had materially improved the outlook for the wheat. One could almost be at the other end of Australia and come to the same conclusion, despite the fact that crops last fall got off to a very poor start. On the other hand, the trade was impressed with the official weather forecast for Kansas, indicating the possibility of zero temperatures in the northwestern part of that State.

We do not like to lose sight of certain fundamentals. One, which is quite important at this time, is the fact that a considerable amount of loan wheat is being redeemed daily. This has probably never occurred before during the month of February; at the beginning of the month, there was still 146 million bu of wheat impounded, and inasmuch as the government will probably not extend the loans beyond April 30th, we assume that more of the loan wheat will continue to come on the market. In Illinois, for instance, there are over 4 million bu still tied up; in Kansas, 18 million bu; in Nebraska, over 7 million bu; in Oklahoma, about 6 million; in Texas, 17 1/2 million, and the chances are that if prospects in the spring are reasonably good, the farmers will not try to seek new loans through the banks, but will be content to lose title to the grain. In the Northwest, the figures are probably even more striking, and that has probably been the reason for the relative weakness in Minneapolis, with their May wheat today going to a discount under July, and for the first time the nearby position was quoted about 4¢ a bu under Chicago. We find that Minnesota still has about 10 1/2 million bu wheat impounded; Montana, close to 13 million bu; North Dakota, 25 million bu; and South Dakota, nearly 6 million bu; therefore, there has been more activity in the Northwest during recent sessions than in other parts of the country. These redemptions have had little influence on the general price level, as new speculative purchases were apparently sufficient to take care of this added pressure, but whether this will continue to be the case remains to be seen, and, of course, much will also depend upon future crop prospects.

Argentine shipments for the week were 3,710,000 bu, which is extremely large considering the size of this year's crop, but the Argentine is one country that has always believed in merchandising rather than saving the grain for another season with the hope of obtaining better prices. Another factor in that country is the realization that the corn crop is apt to be a very large one and that later on, ships may be necessary to conduct trade in that cereal; in fact, a marketing problem could easily develop, and if some of the optimistic corn estimates are realized, the Argentine could actually supply all of the world's import needs. Up to the present time most of the wheat shipments from that country have consisted of old-crop deliveries, but we are convinced that with the poor quality of the last harvest, the European importers will not be nearly so eager for the new wheat, particularly with the abnormally high freight rates which prevail. There is some talk that by mixing a fair proportion of the old wheat with the new-crop it is still possible to get 62# wheat for the time being.

Today's primary movement was very heavy, even for two days, amounting to 916,000 bu. Last week it was only 347,000 bu, and a year ago, for just one day, 466,000 bu. Kansas City, Duluth and Minneapolis stocks so far this week show a net decrease of 79,000 bu. We are looking forward to a moderate shrinkage in the visible supply on Monday. It will compare with an actual decrease last year of 3 1/2 million bu.

There was fair activity to the market, and at times, fluctuations were very rapid. Advances were not fully maintained, however, and at the last the May delivery was only 3/8¢ a bu higher, while the July future advanced the same.

Corn was slightly reactionary, but volume is small compared with wheat. Primary movement is of fair proportions, and we have only a limited period now in which to export much grain from the United States, as later on, Argentina will probably do the business. This may make it possible to have wider carrying charges, if any accumulations at terminals should take place.

UHLMANN GRAIN CO.

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CHICAGO February 26, 1940.

The most important influence at the moment is the weather. According to the government, the winter wheat suffered no serious damage from the severe cold in January, and improved top-soil conditions are rather general over the principal winter wheat belt. During the past week, 10 to 16 inches of snow were received in Oklahoma, and 1 to 7 inches in Kansas. Precipitation was quite good in Texas, while melting snow benefited top-soil in Nebraska. In addition to this, there was assurance of more wide-spread moisture, according to the map, and this was mostly confirmed by the individual state reports. So there can be little doubt now that conditions are materially improved over the very low figure that prevailed in the December government report.

There is still the question of the European crop outturn, the weather having been the coldest there within living memory; but it is too early to learn much of crop conditions, except that the snow covering which afforded protection during the most severe temperatures is now disappearing in the Balkans, as well as in Western and Southern Europe.

Surplus supplies in the exporting countries remain sufficiently large so that Europe can make purchases without much effort. During recent sessions more of the business has been going to Canada because of the shorter haul, and this is true not only of allied buying, but also of the Continental importing countries, who find the neutral freight rates are much cheaper than when grain is taken from either Argentine or Australia. Also, the Canadian wheat is of very good quality and can be blended with poorer native varieties. The British government is favoring Canada and is permitting 60% of the Canadian wheat in the mix. With transport boats needed so badly, it is, of course, likely that the shortest haul plays an important part in giving preference to the Canadian wheat.

World shipments of wheat and flour this week were 9 million bu, exclusive of Australia, or about a million bu smaller than a year ago when Australia was included. There is nothing being shipped now from South Russia, and in fact, no clearances have taken place anytime since November, while last year 32 million bu had been despatched from that country; with the poor crop that was harvested, we see no likelihood of any clearances for the balance of the season. It still remains to be seen how successful Australia will be in getting rid of her huge surplus. The most recent official crop estimate was 210 million bu, or an increase of some 30 million bu over the first forecast; but threshing returns have been so wonderful that some of the trade are talking of a possible yield of as much as 250 million bu, basing it on the marketings to date. We recall that during the last war, a good deal of grain in Australia rotted because it was impossible to find satisfactory outlets, but we feel certain that tremendous efforts will be put forth to get the wheat this year into consumptive channels.

With more wheat being redeemed before tax periods, primary receipts today were quite large at 1,075,000 bu versus 649,000 bu last week, and 637,000 bu last year. The visible supply showed a decrease of 1 1/2 million bu, which was considerably smaller than the shrinkage a year ago. Total stocks in all positions are in excess of 100 million bu, and this is 11 1/2 million bu more than was on hand in 1939 the same day. Chicago stocks decreased moderately, 256,000 bu , and there is still 5,350,000 bu locally held.

The market was subjected during various period to stop-loss selling, but trade was not particularly heavy, and at the last the nearby month showed a loss of 2 1/8¢ per bu since Saturday, while July declined the same.

Corn was just a shade lower. The visible supply showed a small decrease, and there was no particular feature to this market, except that the demand for exports remains disappointing.

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CHICAGO MERCANTILE EX.

CHICAGO Feb. 27, 1940.

There was an interesting debate in the House of Commons recently that concerned the question of subsidizing the staple food articles in Britain during war time. Subsidies work both ways. In this country, we subsidize exports in order to keep prices at home on a higher level, while in war countries they subsidize in order that the housekeeper may get supplies as cheaply as possible. From information that was disclosed in the British debate, the government is paying out a sum of nearly $2 million a week so that the price of bread may be kept at its present rate. During the World War this was done in a slightly different manner, and virtually all kinds of admixtures were resorted to, including such articles as barley, rice, rye, oats and corn, even beans and potato flour, and towards the end of the war, or in other words 1917 to 1918, the dilution brought about tremendous savings, which probably explains why imports of actual wheat at that time were on such a small scale.

Of course, everything is different at the present time. It is true that the Argentine has had a crop failure and that the offerings from that country will be rather small for the balance of the season, but Canada still has very large supplies and, as we pointed out yesterday, some of the people in the private trade in Australia believe that their crop has been greatly underestimated. Furthermore, the Commonwealth has no wish to go through the same experience as she did in the last war of 1914-18, when, with large unsalable surpluses accumulated season after season, it was found eventually necessary to carry 2 million tons of wheat, or approximately 75 million bu, which deteriorated and was finally unfit for milling purposes. England will undoubtedly provide convoy system for a fair proportion of the Australian crop in order to be of aid to the country that is supporting her in war.

There was very little grain news of any kind. However, the market had broken about 5¢ from the recent high, and this was regarded by some as a sufficient reaction, at least for the time being. With warmer temperatures in the Southwest, the snow is bound to melt, and after all, the stage is set more or less for crop scares this season, owing to the lack of subsoil moisture. So unless rains come frequently there will undoubtedly be reports claiming damage. In fact, we had one such message this morning from the western part of Kansas, several farmers indicating that the ground had a two inch crust and that it was impossible for the wheat to get through. This also suggests the possibility of heavier abandonment, but we believe that it will take several weeks of growing weather before one may come to accurate conclusions. The weather map leads us to believe that there will be very little precipitation in the Southwest for the next few days, but fair moisture is likely in the Central States, and while rains are not necessary every day or so in the Southwest, there are more people than ever watching the situation, because the crop had gotten off to a very poor start.

The amount of wheat coming out from under the loan is smaller now. The last official figures showed on February 15th there was still 140 million bu of wheat impounded, but right after that date prices advanced sharply, and we think that a good deal has since been released, at least as much as 5 to 10 million bu.

The government adheres to its earlier estimate of 300 million bu for carryover on July 1, 1940. This would compare with 254 million bu last July. The forecast is based on probable exports of 40 to 45 million bu, and they assume that the domestic disappearance will be only 670 million bu. Should such a large carryover finally be on hand, it would largely offset prospects for a moderate crop; therefore, we believe that markets will be somewhat two sided. Of course, crop news during the next few months will be the all-important factor.

Primary receipts were quite heavy at 943,000 bu versus 519,000 bu last week, and 358,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 75,000 bu.

With several swings up and down the market finished 3/8¢ per bu lower for the May delivery, while the July was 1/2¢ per bu down.

Corn was about steady, with no particular feature. The primary movement is keeping up, although a good deal of corn is being impounded every day now under the loan.

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CHICAGO MERCANTILE EX.

CHICAGO February 28, 1940.

While Europe had laid in large food supplies prior to the war, it seems that no important stores of animal feedstuffs had been accumulated. This was particularly true in England. The debate in the House of Commons a short time ago dealt with the shortage of feedstuffs, and the Minister of Food was able to reassure the nation that while supplies had sunk as low as one-third of normal requirements in December, these had been increased to two-thirds at the end of January, and at the same time trade reserves were also being augmented. The Ministry's reserves of cereals had consisted entirely of wheat for human consumption, and this had occupied all the available storage space. Obviously, food for humans must come first; but surely, the Ministry could have devised some scheme of subsidized storage among merchants and country millers along the same lines of the bakers' storage of extra flour Chances are that the worst period of the shortage is passed, and very likely the new corn crop in the Argentine is being awaited, as undoubtedly prices will be cheaper when the grain is available from that source.

For many sessions there has been a lull in the European demand for wheat. This morning, however, it was reported that a very large Manitoba business had been done overnight, possibly sales to Britain extending to the 5-million-bu mark, and this was the reason for markets reawakening and heeding more the bullish influences.

Weather in Europe is not altogether satisfactory. Temperatures fell so sharply a few weeks ago and hard frosts prevailed over a very wide area of the Continent that it has been a trying season, to say the least. The extreme cold wave caught the plant in an exposed state, and while Europe never suffers as much damage as the winter wheat belt of America, it is quite possible that with temperatures in some parts of Germany as low as 20 degrees below zero, more than the usual damage reports will be heard a little later on. Weather is still very cold in the East, and crops have suffered from alternate freezing and thawing, so that possibly 6% of the winter wheat acreage will be lost, according to Broomhall; furthermore, field work will be very late throughout Europe. Canals and rivers have been frozen hard for eight weeks, and the roads in Germany have been icebound.

With Winnipeg prices reflecting the overnight business, we took our cue from their strength, and the Chicago market advanced as much as 1 to 1 1/2¢ a bu right at the opening. In our own country, there was virtually no snow in the Southwest overnight --in fact, no moisture is looked for immediately, and, according to the snow map, Kansas, Texas, and Oklahoma have practically no protection at this time, while Missouri has only one-half inch at isolated places. The winter wheat plant continues largely dormant except in the extreme southerly portions of the belt, but with higher temperatures this situation may change pretty quickly. The surface moisture is ample in most sections of the Southwest, but it still remains to be seen whether subsoil moisture will be sufficient unless we get frequent periods of rain during the spring months. Some are already claiming that the abandonment in Kansas will be heavier than normal, ranging up to 30%; and it can thus be seen that the crop-scare period will soon be upon us.

The first reports of the experts will be issued on March 6th, and they will include changes in the condition of the crop since December, possibly even estimating probable production, and the trade is awaiting these with great interest.

There was a slightly better flour demand lately, the advance in prices during the week giving more assurance to buyers. Today's advances were rather easily accomplished after recent sharp breaks in the market, and the selling of loan wheat has dried up considerably as the market receded. Some believe that 40 to 50% of the impounded wheat has been redeemed, although the recent official figures given out by the government do not confirm anything that large.

Primary receipts were fairly moderate at 743,000 bu vs 382,000 last week, and 375,000 last year. Kansas City and Minneapolis stocks show a total decrease of 99,000 bu so far this week.

Our May wheat showed an advance of 1 1/2¢ per bu while the July future was 1 3/4¢ per bu higher.

Corn was in somewhat better demand, but trade was rather inactive, and there was no particular feature.

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CHICAGO MERCANTILE EX.

CHICAGO February 29, 1940.

Since the start of the war, wholesale price indices in England have risen about 30 to 35%. Part of this may be occasioned by the very high freight rates which exist, but nevertheless, it is a form of inflation. There have been many kinds of price controls put into effect, but still they have not been able to prevent advances. The volume of food consumed is reduced by rationing, and the price to the consumer is lowered by subsidy, but this merely sets up further complications. The housewife's expenditures for food are reduced, but the volume of purchasing power available for other articles is increased. Furthermore, the government's financial requirements are on the increase, because of the cost of subsidies, which at the present time, might amount to $4 million weekly, and the competition afforded to the government by the public in all markets other than food is also greater.

The risk of inflation, therefore, is enhanced. It may be that the immediate scope of influence is confined to Britain and other belligerent countries, and simply because advances take place in England and France it does not necessarily mean that we shall be affected in this country. Temporarily it might even have the reverse effect, because if the war were to continue for several years, there might be a sharp depreciation of the pound against the dollar, and this would make it more difficult to sell our goods abroad. However, war conditions set in motion certain forces which exert themselves sympathetically outside the war zone. Also, the placing of war orders, even though comparatively unimportant at the moment, creates a foreign inflationary influence that may tend to strengthen prices here as time goes on.

When our market opened there was very little change. Southwest weather is clear, and mild temperatures prevail; in fact, some points in Texas reported excessive heat for the season of the year. However, the important sections have no serious complaints at this time, and we note that in the State of Kansas, the average moisture from October through January amounted to 3.27 inches, compared with 4.85 inches, the normal. The distribution, of course, was bad, as so little rain came after seeding, and this was the reason why the Kansas condition was estimated at only 35% of normal in December, against the ten-year average of 76%. We feel sure that an upward revision will be made as there has been considerable improvement recently.

Washington officials have expressed surprise that the market has advanced in recent weeks. They indicated that this may have been due principally to speculation, and pointed out some of the inherent bearish factors in the situation, one of these being the prospectively large carryover for the United States on July 1st, and also a world wheat carryover of about 1,400 million bu, which would be the largest on record. We agree with all of this and would be just as bearish as the government experts, if a normal crop were in sight. However, our own views are modified because we believe that there is the possibility of a crop next season that will be just about sufficient for domestic purposes. The government also pointed out that prices in this country are 33¢ a bu over the world level, but this should not be surprising to them, as they helped to bring it about by offering a subsidy of 30 to 35¢ a bu, in order to get wheat out of the country.

Primary receipts were fairly substantial at 825,000 bu; there was a holiday a week ago, and last year they amounted to 505,000 bu. Kansas City and Minneapolis stocks so far this week show a total decrease of 193,000 bu.

The market was choppy; on the advances, there was some profit-taking, and undoubtedly the statement from Washington had some influence upon the trade. New pressure was comparatively light, and without much chance for moisture Southwest there was no important weakness. May wheat finally showed a loss of 5/8¢ per bu, while the July delivery was down the same.

Corn was barely steady, but trade is extremely light in this cereal, yesterday only about one million bu were traded in all three futures. The primary movement is still holding up fairly well.

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CHICAGO MERCANTILE EX.

CHICAGO March 4, 1940.

Shortly after war was declared, we called attention to some of the vast differences in the present crisis from those of the World War, from 1914 to 1918. First of all, the world carryover last July was about the largest on record, and promised to increase by July 1st, 1940. Furthermore, Russia has not been an important factor; therefore, even if shipments from that country are infinitesimally small, it is not likely to create a much greater demand for North American grain, as had been the case twenty-five years ago. There is no chance for hurried troop movements because of the type of present hostilities; consequently, less wastage because materials and commodities are not sacrificed. We also felt that the civilian population in some cases might be under-nourished, due to rationing, and actual scarcity where supplies were used for the military; and so far we have no reason to change our mind in these discussions.

We recognize, of course, that short selling is retarded because war psychology suggests the possibility of higher prices to the layman, but actual figures have revealed that clearances from all countries were smaller from 1914 to 1918 than they were in the six preceding years, with one exception. We even feel at the present time that Broomhall's figure on import requirements will have to be revised downward, and note that the Department of Agriculture in a recent statement calls attention to the fact that the European war has diminished export demand for American farm products and that there is no immediate prospect for improvement. They claim that economic controls, import restrictions, and food consumption regulations in the nations at war are a barrier against a repetition of the farm boom that accompanied the World War. Without the subsidy this year, it is doubtful whether we could have exported much wheat, while exports of pork and lard are not up to the volume that would flow normally in a year of large production and lower prices. This being the case, we believe that the drought news earlier, and the adverse weather conditions immediately following seeding probably were to a large extent responsible for the sharp upturn in wheat that we have had since last September.

Over the week-end, there were very beneficial rains in many parts of the Southwest, also in the Central States. The map suggests that the Texas and Oklahoma Panhandles will probably have precipitation tonight also. Even western Kansas received heavy snows, rain or sleet, and this is bound to make a great difference, although, of course, full recovery is not expected owing to the bad start. In any case we believe that the markets may hesitate, as there are not apt to be crop scares until a later date, although it must also be admitted that new pressure upon the market is light and the amount of wheat being released from under the loan is relatively unimportant at this time.

World grain shipments were only 7 1/4 million bu this week, compared with 9 million bu last week, and 13 million bu a year ago. Of course, in 1939, Australian shipments were being included but the war has caused censorship and no figures are being given out. The Australian government does not favor a large acreage to wheat because shipping conditions are extremely uncertain, and there has been no large volume of export business lately; so the outlook for Australia is not too cheerful. However, it is expected that some of the farmers will work on munitions and airplanes for the duration of the war.

The visible supply of wheat showed a decrease of 1,404,000 bu. Total stocks in all positions are slightly in excess of 99,000,000 bu or 14,000,000 bu larger than last year. Chicago stocks shrank 237,000 bu leaving 5,113,000 bu in this market.

The primary movement was large at 1,156,000 bu versus 1,075,000 last week, and 671,000 bu last year.

The market had a rather checkered course. Early advances were due to local buying, but without a follow-up, recessions caused late weakness with the May delivery closing 1/4¢ a bu. lower, while July wheat declined 3/8¢ a bu. Weakness at Winnipeg also contributed to our decline, and the moisture finally made some impression on the minds of traders.

Corn was steady but trade was again very light. The hog movement to markets remains very heavy as a result of the continued unfavorable corn-hog ratio. There are still tremendous quantities remaining in the country.

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CHICAGO MERCANTILE EX.

CHICAGO March 5, 1940.

Despite the fact that one crop expert has already issued a statement claiming considerable improvement over the December government report, there is still great uncertainty over the winter wheat outcome. More of the experts are expected to publish statements tomorrow, and may even give figures as to their guesses on the final yields; but any report that is issued in March is more or less guesswork, particularly when dealing with a very unusual season, such as the present one, where wheat got off to a very poor start. There are all kinds of theories, and some of them may be proved or disproved later on, as to the importance of fall growth; but yet, it can hardly be denied that the exceptionally good moisture since December has been extremely beneficial, particularly for those plants which germinated properly last fall.

As far as the statistical picture is concerned, there is little change from day to day, or even from week to week. Ordinarily, at this period, pressure from Southern Hemisphere about reaches its height but with the inability to get ships from/Australia, and because of the very small crop in the Argentine, there is not nearly as much pressure from those two countries as one would expect; and yet, we find that the demand for North American grain continues spasmodic, and purchases from Canada are made only intermittently. Owing to the fact that freights are so high, the Continent is not a large user of wheat this this season; therefore, Britain has the market more or less to herself. Accordingly, she is biding her time, and rather than to take a little wheat each day, she awaits opportunities and then buys large quantities all at once. This is the reason that the foreign demand is quiet during most sessions, and exporters today are reporting only a very few scattered lots that have been worked; most of this is destined for the Continent.

There was no particular news this morning except that a few scattered showers had occurred in the Texas Panhandle; elsewhere, it was clear, and the forecast is for mostly fair weather with gradually rising temperatures. There has probably been enough moisture to carry the plant for a few weeks, and, therefore, we see nothing alarming if there should be no further precipitation for a while.

First quotations were somewhat lower, but there was great strength in the May future, which was attributed to some mill buying, and this imparted a better tone to the deferred months, as well. We believe that there may have been a short interest in the nearby position by those who had figured that the loan wheat would continue to come out freely; but since very little grain has been redeemed lately, it is also likely that the shorts in May have covered their positions, thereby giving greater strength to the May than to new-crop months. In all, it is estimated that about 30 million bu of impounded wheat have come back on the open market again. This is not nearly as much as had been privately estimated, and according to the last official report published as of February 23rd, there are 137 million bu still remaining under the loan. It is quite possible, as we see it, for a very large percentage of the balance to be sold, provided that price remains attractive enough so the farmer can benefit more by selling his grain than by defaulting at the end of April, when the maturities are due.

Primary receipts were large at 1,042,000 bu versus 943,000 bu last week, and 504,000 bu last year. Kansas City and Minneapolis stock so far this week show a net increase of 50,000 bu.

The market gained momentum as the session continued. Some buyin was undoubtedly prompted by the fact that tomorrow's crop estimates might be more or less bullish. It seems that for many sessions now the open interest has enlarged with total contracts amounting to 91,656,000 bu. This indicates a broadening of trade; however, we still believe that some caution should be exercised on bulges unless adverse crop news is received. At the last May wheat, which was the strongest future, closed 2 7/8¢ per bu higher, while the July delivery was up 2 3/8¢.

Corn was helped by the leading cereal, but there was no particular feature, although today's primary movement was small.

Rye and oats also sympathized with the general improved sentiment which exists.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO March 6, 1940.

The private experts have now published their March reports. With the exception of Murray, who forecast a winter wheat crop of 434 million bu, there were no figures on estimated yields. Virtually all of the experts were of one mind: namely, that improvement has taken place since last December, when the government estimated the crop at close to 400 million bu, with 45 million acres sown, and condition 55%, which was the lowest on record. However, with probably less abandonment than had been figured, one could come to the conclusio that while it is too early to have definite yields in mind, there, undoubtedly, must have been a fundamental improvement in all areas, with the fine weather which has prevailed since Christmas time. Assuming that the winter wheat crop will amount to only 430 million bu, and figuring the prospective carryover on July 1st at 300 million bu, which is the government's estimate, then we would have total supplies in those two positions of 730 million bu. This would be more than sufficient for all domestic purposes, and would leave the entire spring wheat production as surplus.

With this kind of picture, and probably the largest world's carryover that has ever existed, one could not become overly bullish, but, of course, certain reservations must be made because of war, and also because nobody can state yet what the size of the European crops will be. Up to the present time, hostilities abroad have probably not done much to help wheat prices, although the various belligerent countries have been living more or less on reserve supplies which were set up for the emergency, and after these get down to more normal proportions, it may require larger imports. Germany, because of the blockade, will probably not be able to reach overseas for much wheat, but if she does get supplies from Russia, it will probably not affect to any large extent the world statistical position. In other words, it may mean just smaller consumption for Russia.

The trade viewed today's reports as fairly bullish. While some improvement had been disclosed from the very low figures of last December, it compared with actual productiion last year of 563 million bu; so the crop in all events will be considerably smaller. The farmers also without actual knowledge of what the experts were to say must be in a fairly bullish frame of mind, as they continue to hold rather tenaciously to the larger part of the loan wheat which had been impounded. To this extent, the American farmer, aided by the government, is speculating on a good part of last year's production, possibly having in mind the fancy prices of the World War, and is, therefore, holding back many of his products in the hope that there may be a repetition of World War inflation. If one visits a small number of farms, he will readily find that, percentagewise, there is more corn, wheat, and feedstuffs of all types than ordinarily.

Primary receipts were moderately heavy at 832,000 bu versus 743,000 bu last week, and only 419,000 bu last year. Kansas City and Minneapolis stocks show a total increase of 169,000 bu so far this week.

The market was fairly active, but best prices of the day were not maintained, and in recent sessions short covering has been quite thorough. In Chicago it was reported that elevators bought loan wheat a little more freely. May and July wheat at the last were unchanged.

Corn was fairly steady, but trade in this cereal is very light, averaging only about one million bu daily.

Rye was firm, and experts claim that improvement has not taken place as in wheat. However, two cargoes from Argentina have arrived in this country, and it will be interesting to see whether the grain remains here, or is transhipped later on.

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CHICAGO March 7, 1940.

Uncertainties surrounding the domestic crop situation will probably be as great now as they were before the experts voiced their views. The fact that snow lay on the ground for weeks at a time must be beneficial, but it is impossible to gauge the degree of improvement at such an early date. There was some buying yesterday based on the fact that Murray's figures had not shown greater improvement over the December report; but undoubtedly anybody expressing views on yields in March must be extremely conservative in his judgment. There are bound to be many erratic fluctuations until we draw closer to harvest.

In addition to this fact, we believe that as long as war lasts many people are resurrecting inflation threats. It will be recalled that during the first 3 1/2 years of the World War commodity prices in the United Kingdom rose 125%. Since the present war started, British prices have probably risen 30 to 35%, and this may even have been caused to a large extent by the decline in sterling, which dropped from about $4.40 in August 1939 to $3.92 now. In other words, many imports advanced because it took more British money to make these purchases. England is buying wherever she can from her own colonies in order to conserve foreign exchange, and she is extremely cautious in buying commodities in the U.S. except as necessity dictates. Even with the greatest of economies, every day of the war means that all told $150 million of past savings and future earnings will be wasted. National debts of the allies might reach a figure as great as that of their total wealth; what the secondary consequences of such a situation would be remains a question. Finally it could result in a repudiation or inflation.

There was not a great deal of grain news except that Russia bought a cargo of wheat from the Pacific coast, but with the large supplies out West, this is not much of a factor. We have refrained from discussing recent rains in India, because the latter country has hardly been important as an exporter during recent years. Private observers are estimating a crop of about 400 million bu compared with a 5-year average of 356 million bu; but even this increase will probably have no effect upon world's prices.

In Australia, the government is not planning to restrict acreage, but has stated that they do not favor large sowings for the coming season because of difficulties in shipping grain. There were no recent figures released on exports or visible supplies, and, therefore, the total figure of world shipments does not have the usual significance. Likewise, when we state that Europe and ex-European countries since August 1st have taken 83 million bu less wheat than a year ago, it is not a true reflection of conditions, as shipments since the war from Australia are not included in this compilation. There is still some talk about crop damage in Europe because of severe temperatures and there probably has been considerable winter killing in Russia, owing to the very low temperatures that prevailed before snow was received. However, even a smaller crop will probably only result in smaller domestic consumption, or possibly smaller shipments to Germany.

Primary receipts were smaller at 695,000 bu versus 825,000 bu last week, and 512,000 bu last year. So far this week, Kansas City and Minneapolis stocks show a total increase of 262,000 bu. There is just a bare possibility that the visible supply next Monday may show an increase, or in any event, should not decrease heavily.

Overnight weather had been favorable, and numerous reports of moisture came to hand, but this had very little influence. Local sentiment was extremely bullish and it became intensified as prices advanced. As there was very little pressure the upturn was attained **without much difficulty --May wheat closed 1 1/8¢ per bu higher, while the July delivery advanced 1 5/8¢ per bu.**

Corn was just fractionally up; it seems difficult to inspire much enthusiasm, and the volume in the pit is extremely small, with very little interest being disclosed. Undoubtedly it is realized that huge quantities still remain back in the country.

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CHICAGO MERCANTILE EX.

CHICAGO March 8, 1940.

Great Britain, which is a commercial country and trades with practically every part of the world during peace time, recognizes the direct relationship between price and consumption. Every merchant realizes that after sharp advances take place, consumers economize, and, likewise, when there are bargains, goods move in greater volume. Sir John Simon, in Parliament, was very outspoken on the policy of subsidizing food prices, and explained very clearly the double danger of diminishing supply and increasing consumption by reducing prices. He agreed that subsidy should only be applied to rationed goods, with the generally accepted exception of bread and milk. It was his claim that the policy of food subsidies was useless except as an ingredient in a comprehensive policy. There is probably $4 million being spent each week in order to keep the housewife from complaining about advancing prices, and it is now feared that if the cost of certain foods are cheapened too much, it will lead to an increase in their consumption, and this must be prevented as a war time necessity.

It is exceptionally true of imported foodstuffs where shipping and foreign exchange are so vitally concerned. We are convinced, therefore, that more and more will be heard of various policies of keeping foodstuffs stable, but only when accompanied by rationing. Since England, even during war time, takes about half of European wheat requirements, it is very important to try to gauge the amount that will be needed; but as long as the Ministry of Foods is watching everything with such intense interest, we do not look for much added consumption, even if prices are held at moderate levels.

There was a very quiet demand for North American grains overnight, possibly a small Manitoba business to the Continent.

The chief interest is still the prospect for the coming crops, and there can be no doubt that the present condition is much below normal, and a great deal of uncertainty exists until we get more growing weather. There are all kinds of figures being circulated about the Southwest rainfall since last July, and there is still a great deficiency in subsoil moisture, but this is the very reason why the crop is only estimated at 430 million bu and not at 600 million bu, as if everything had run smoothly. However, bad news travels more quickly than good news, and the oftener there is repetition of reports claiming a poor outlook, the more it is apt to prevent immediate sharp breaks except if we get an overbought pit condition. Finally, wheat will have to sell on its merit, and present prices may appear sufficiently high, but at least during the crop scare period, traders are often quite emotional.

Argentine shipments this week were 2 million bu, or about the same as last year. Broomhall estimates that there is about 72 million bu left for surplus and we do not look for very heavy pressure at any time, as last year's crop was a failure. Australia, while having large reserves, is suffering from improper shipping facilities, and is likewise unimportant at this time. Europe complains that cold weather has returned in the Western sections. The winter wheat crops have undoubtedly suffered from the extremely low temperatures, and we are fully prepared for smaller yields than average under such conditions. Because of the war, every effort will be bent to increase spring acreages.

Primary receipts were moderate at 739,000 bu versus 866,000 bu last week, and 513,000 bu last year. Kansas City, Duluth and Minneapolis stocks so far this week show a total increase of 1,091,000 bu. It is not likely that the visible supply on Monday will decrease heavily if at all; a year ago there was a shrinkage of 3,206,000 bu. Yesterday's open interest hardly changed, even with all the apparent buying; possibly professionals absorbed commission house liquidation, and this suggests that caution on bulges must be exercised. At the last May wheat was 1 5/8¢ per bu lower, while the July delivery declined 1 1/2¢.

Corn was fractionally lower, but there was no feature. Other grains showed small declines, also in sympathy with the leading cereal.

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CHICAGO March 11, 1940.

The markets are very sensitive to crop news of any kind, and on Saturday numerous reports from the Southwest were of a pessimistic nature, causing the late rally. It was generally reported that a good rainfall would be needed, and this referred also to the spring wheat territory in order that planting might start shortly under favorable conditions. Reports also referred to probable heavy acreage abandonment in the winter wheat areas of Oklahoma and southwestern Kansas, but bullish enthusiasm was tempered somewhat when the map this morning suggested that rains or snows might be general during the next forty-eight hours; in fact, some precipitation has occurred already in a few spots.

Despite the fact that premiums on cash wheat are very low, the milling demand does not attract buyers in large quantity, and the market, therefore, is suffering from the fact that so few hedges are being withdrawn from the pit. Ordinarily at this time of year, we are making severe inroads upon accumulated stocks, but the visible supply for the past week decreased only 971,000 bu, and the total in all positions is 98 million bu, compared with 82 million bu last year, or in other words, 16 million bu more. In about seven weeks, it will be time for May tenders, and not long after that millers will be looking forward to supplies from the new crop. Therefore, we do not look forward to the visible supply to reach very small quantities. Just as a reminder to what low levels they have shrunk in some of the post-war periods, when naturally prices were high, we show the following totals:

YEAR	DATE OF MONTH	VISIBLE SUPPLY
1917	August 25	4,000,000 bu.
1918	June 15	1,000,000
1919	July 12	5,000,000
1920	" 17	16,000,000
1921	July 2	8,000,000
1922	" 15	15,000,000

World shipments were heavier this week at nearly 11 million bu, but still we doubt very much whether we shall attain Broomhall's figure of 560 million bu for the season, inasmuch as only 263 million bu of wheat have been shipped during the first 31 weeks of the crop season. This would be an average of 8 1/2 million bu, except that Australia is not included, but even assuming that the latter country has cleared 37 million bu, which is probably a conservative figure, it would only mean a total of 300 million bu since August 1st. On that basis it would leave 260 million bu to ship, or an average of about 12 1/2 million bu a week. This seems rather high in the light of recent demand.

Canada is exporting a little heavier than a year ago, the total being about 5 million bu greater, but at the present time there is a balance of 355 million bu that either could be shipped or will be carried over into the next crop, compared with 158 million bu at this time last year, or nearly 200 million bu more. In the United States, we are making rather slow headway. Even with the flour subsidy on the Pacific coast, there has been less than 33 million bu of all wheat and flour actually cleared since July 1st; therefore, it is almost a foregone conclusion that the carryover at the end of the season will be a very large one.

The market was extremely choppy, advances and declines having been about evenly distributed. At one time European political news was a factor --a claim being made that peace progress between Russia and Finland was near at hand, but denials were quickly made. At the last the market showed a small gain over the previous session, May wheat closing 1/8¢ per bu higher, while the July delivery was up 1/4¢ per bu. The difference between the two futures was about 2¢, despite the fact that Chicago stocks decreased nearly 400,000 bu during the week, leaving a total of 4,717,000 bu in store and afloat.

Corn was very little changed. It seems difficult to inspire much confidence with prospects in the Argentine so good. New crop Argentine corn for May and June shipments is quoted at 36 3/4¢ per bu, but because of the enormous freights it is equivalent to about $1.16 CIF European ports, or about 6¢ per bu higher than U. S. offerings.

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CHICAGO MERCANTILE EX.

CHICAGO March 12, 1940

We have been convinced for several weeks that the stage was set for crop scares this spring, owing to the fact that the wheat plant had gotten off to a very poor start last fall. This being the case, the trade is more inclined to believe damage reports than in a normal year. The tenor of most reports from the Southwest has been somewhat pessimistic in character, although we had several very good ones from Oklahoma this morning, and we purposely did not publicize these, as we did not feel as though we wanted to get into a controversy with those who are sending alarming reports, particularly at a period when probably neither party could substantiate his claims. We feel that it is far too early to hazard guesses as to final results, but we do know that Nature is often provident, and this is especially true with wheat, which is a hardy plant and often recovers from a very low condition. At the present time, there is very acceptable moisture over rather wide areas, and generally it would have a depressing effect upon values except that so many people are long futures and bullish on the theory that the correction has come too late. It remains to be seen whether the extremists are correct in their assertions.

The open interest is practically as large as it has been at any time this season, all wheat futures showing a total of 92 million contracts open. It is the result, on the one hand of more hedges which have come into the market, due to the loan wheat being redeemed, and on the other hand these hedges had been largely bought by bullish speculators who have faith in their position.

There is very little foreign demand at the moment, but we have seen in the past that England only comes in the market spasmodically, and when purchases are made, they are for large quantities, mostly from Canada, although one very large purchase from Australia was made earlier for 63 million bu, and nobody seems to have an idea how much of this wheat has been placed afloat. Even with some reports of adverse weather in Europe, there has been no spirited buying, and it is felt that with milder temperatures setting in, navigation in the Danube will be resumed shortly. For some weeks past, Rumania has been shipping fair quantities of wheat in Italian liners for Italy, and also, a little for Greece. Everywhere in Europe farmers are ready to push on with their plowing as soon as atmospheric conditions permit. Nobody expresses anything but vague guesses as everyone sincerely believes that at this point nothing can be definite and that it will take growing weather to determine the amount of damage. To this extent there is less guesswork abroad than we have here.

The trade was somewhat surprised that, despite discussions of heavy sales of impounded wheat, there was still 133 millionbu tied up by the CCC and its lending agencies on March 1st. This was a reduction from February 23rd of only about 4 million bu, and on basis of 167 million bu in the loan at the peak, the total reduction would be only 34 million bu, which suggests that between now and end of April more activity on part of farmers will take place with regard to sales. We should be rather surprised if the liquidation of the next hundred million bushels would not have a somewhat bearish effect upon the market.

Primaries were fairly large at 980,000 bu versus 1,042,000 bu last week, and 369,000 bu last year.

Weakness in foreign exchange became a factor. Sterling went to a new low at $3.80, while the Canadian dollar was 18 per cent discount under American funds, and this we believe is rather bearish on U. S. commodities, inasmuch as it reduces purchasing power of both England and Canada in this country.

The wheat market was only fairly active, but with some additional snow covering in parts of the Southwest, it must be beneficial for crops, and at the last May wheat showed a decline of 1¢ a bu, while the July future was 1 1/4¢ lower.

Corn was fractionally lower, but there was no particular feature except that the large prospective yields in the Argentine prevent much investment buying. In our yesterday's letter, we spoke of Argentine corn for deferred shipment selling 6¢ over us. This was an error. It is quoted at a discount of 6¢.

Oats and rye were lower. There are virtually no shorts in these cereals and small liquidating orders met with only fair support.

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CHICAGO March 13, 1940.

The Finnish-Russian peace had very little effect marketwise, and this is perfectly proper because it will hardly change the demand for grain, although it will, of course, prevent the spreading of hostilities to Scandinavian countries, which had been feared would occur. It is felt in some quarters that while peace is always desirable, in this instance it may harm the British Empire, and the Allies have taken new stock of their battle positions on the Western Front as the Treaty has undoubtedly dashed all plans for a British and French drive on Germany from the Scandinavian flank.

This morning sterling showed a further sharp break, but the Finnish news had nothing to do with it. As a matter of fact, the recent weakness has been confined to the open market, and we believe it is the result of British efforts to tighten foreign exchange control. This does not necessarily have any great significance, since the unofficial quotations are largely determined by local supply and demand, and there are very few articles that can be bought in Britain, except where purchases are made through the official Control Board. As we understand it, a number of commodities are still on the free list, but most of the new regulations will become effective March 25th, and it is the understanding in Exchange circles that the pressure on the free rate, which has already become quite violent, occurred when holders sought to liquidate in anticipation of a thinner market.

Wheat was influenced mostly by overnight weather. There was rather general moisture, except in Oklahoma, and even a few portions of the Northwest were benefited, which is extremely helpful coming just before spring seeding starts. More and more conservative people in the Southwest claim it will take a certain amount of growing weather before much can be said as to final results. Many predictions are freely made in March, but of course, this year it is a greater hazard than ever, as millions of acres did not germinate properly, and it is a question as to whether a crop can finally be produced in these areas, should the plant show signs of life in the Spring.

There was also a new factor injected into the market when Washington reported late yesterday that subsidies of wheat on the Pacific Coast have been resumed. There is apparently a surplus of 20 million bu of wheat out there that has been a menace for some time and exports of flour to the Orient and to the Philippines have been negligible; therefore a better outlet is being sought. However, freight rates are high and ships are scarce, so it is still a question as to how much wheat will be shipped from the West Coast, even with a greater desire on part of the government to get grain out of the country.

Primary receipts today were fair at 706,000 bu versus 832,000 bu last week, and 355,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 78,000 bu.

There are a good many people who undoubtedly have been bullish because of war, and the inflationary tendencies surrounding it. However, when we look at the price of wheat at Buenos Aires, with March wheat selling at 59¢, we begin to wonder. Also consideration must be given to the fact that they had a crop failure in that country, and still wheat is selling on the bargain counter. Even in Canada, if one takes into account the discount of the Canadian dollar, wheat is selling at very low levels. Probably in our own country the price might have been considerably less except for the 35¢ subsidy which the government offered to get our wheat into exporting channels.

There was a fair amount of liquidation, possibly because of favorable weather conditions. At the last May wheat was 1 1/2¢ per bu lower; the July delivery declined a little more, with a loss of 1 5/8¢ per bu.

Corn and oats were down fractionally; some selling came into the pits, and without shorts new buying power lagged. Rye was decidedly weaker, and less attention is being given to the poor prospects for the next crop because the immediate demand is extremely slow.

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CHICAGO MERCANTILE EX.

CHICAGO March 14, 1940.

For the past few weeks it has been rather quiet in export circles, and with the very high freight rates which have prevailed, the Continent has taken on new supplies very sparingly. The largest single customer is Great Britain, but she was not heard from since the time she consummated a 10 million bu purchase until today, when a similar transaction was reported. It was stated today in some quarters that Canada had sold probably even a larger quantity to the Mother Country. In ordinary times, this would immediately have had a very stimulating effect upon the market, but we presume that the exporters in Canada were protected by their government, and that they received futures in exchange for the cash sale, so that aside from a certain psychology that was developed by speculators, there was really nothing to give the market immediate impetus. The picture in Canada, at the present time, is not too healthy unless one feels that next summer's crop will be a short one. Actual clearances since August 1st have been 114 million bu compared with 104 million bu last year. The balance for export and carryover is close to 350 million bu, versus 157 million bu in 1939. Therefore, the 1940 crop will have to be ever so much smaller, in order to develop a really bullish situation as it is almost a foregone conclusion that reserve stocks on August 1st will be very large.

In the U. S. there is so little export business developing, even with the subsidy, that figures vary slightly from week to week, We have exported less than 34 million bu since July 1st, and allowing for a minimum carryover, we could even ship 150 million bu between now and the next crop, but of course, there is no chance for this as practically the only sales that are being made are from the Pacific Coast, and the government is desirous of relieving the congestion out there where approximately 22 million bu are overhanging the market. It is not only a menace to western markets, but there seems to be a threat of the grain moving eastward, as was the case some months ago.

At the opening we took our cue from the improved demand for Canadian wheat, and also heeded some pessimistic reports from the Southwest, the most important emanating today from Kansas. According to a joint report of the State and Federal Departments of Agriculture, there has been severe damage to the winter wheat which is now becoming apparent in southeastern counties, but it was pointed out (just as in other reports) that the full extent of the injury cannot be determined as there has been so little growth. However, the one encouraging feature is their remark that continued wet weather had further delayed preparation of seed beds, and since moisture is extremely essential, there is still a chance, as we see it, for some recuperation. The recent snows and rain have penetrated the topsoil to various depths, and in those areas where proper germination took place there has been a decided benefit.

There was very little other news of consequence, and some people took the stand, after the announcement of today's export trade, that it might be several weeks, or a month, before Britain will again enter the market. Of course, the poor crop in the Argentine may create a somewhat better demand for North American grain, and also, we are convinced that practically nothing is being shipped from Australia because the visible supply this week is given at 146 million bu, which is a decrease of only 1 1/2 million bu from the figure reported three weeks ago. Therefore, it is obvious that not much has moved overseas, particularly as their domestic requirements had to be supplied. In normal years about 45 million bu of the crop have been exported to this date, and also substantial shipments are made from now until the end of May, but boats are scarce and the haul is such a long one that the war has altered conditions materially from the normal

(O V E R)

Primaries today were moderate at 726,000 bu versus 695,000 bu last week, and 478,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 82,000 bu.

Bulges failed to hold fully; one commission house was rather prominent on the selling side of May wheat, which closed 1/4¢ per bu higher, while the July delivery was also up 1/4¢ per bu. The CCC reported there were 136 million bu of wheat still impounded as of February 29th. This was slightly larger than the figure mentioned a few days ago, but it seems that 2 3/4 million bu are still being held from the 1938 loan.

Corn was firm, and oats were lower, but there was no particular feature to either of these cereals. Argentine shippers are offering corn for May and June as low as 33¢; apparently they have to sacrifice their grain as the freight rate to Europe is 88¢ a bu, which makes the corn very dear as a feeding proposition.

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March 15, 1940

As was to be expected, after the large export business from Canada yesterday, sales being estimated at 10 million bu, the demand from abroad became quiet, and the chances are that Britain will not re-enter the market for several weeks. First quotations here today were slightly higher, influenced by discouraging crop reports from the Southwest. Quite a few reliable people sent in pessimistic messages claiming that the crop had not made the expected response to the abundant supply of moisture that had been recently received. Of course, it is very early yet, and possibly the improvement, if any, will not show up until there has been more growing weather. In any case, a very reliable firm, namely, the Consolidated Flour Mills of Wichita, stated their previously published guess of 350 million bu for a total winter wheat crop might be a little too optimistic. This was regarded as quite bullish. Our correspondent at Enid, Oklahoma, after examining numerous fields, found in every one that winter killing and damage was beginning to show up.

However, all of this news had very little helpful effect upon wheat values, as the trade was more concerned with peace talk and gestures, even though Britain insists there can be no end to hostilities at this time. The fact that the stock market was also weak, probably for political reasons, discouraged longs, and a fair amount of liquidation was in evidence, which sent prices lower. We expect that choppy markets will probably continue while there are such great uncertainties in the two fields just mentioned.

According to Broomhall, Britain will require at least 2 1/2 million bushels of Manitobas each week, and on that basis, yesterday's purchase would probably last a month, but the low quality of the Argentine wheat is making it necessary to grind some of the higher gluten wheat in the flour mix. Even though the quality of Australian wheat is pretty good this season, it seems very difficult to transport grain because of shipping hazards. The Argentine surplus is estimated to be in the neighborhood of 70 million bu compared with 220 million bu a year ago, but the remaining supplies will probably move into consumptive channels rather slowly because of the poor quality; this is all helpful to Canada, who has the largest remaining supplies at this time. The officials in the latter country seem anxious to pursue conservative merchandising policies, not only for patriotic reasons, but apparently they appreciate also that by keeping prices in line it will mean a steadier business, and this is essential, particularly to the Continent, where great economies are taking place owing to the tremendous freight rates, which naturally curb importations.

The open interest in all Chicago wheat futures is 92 1/2 million bu, or about the largest for the season, indicating that there is a fairly bullish sentiment here, which we think is based largely on the poor outlook for the coming crop.

The weather in the Southwest is clear and temperatures will probably rise. According to one of the long-time services, there is not much precipitation likely during the coming week. While rain is not necessary every day, the plant had a rather poor start, and we feel that the weather will be very carefully watched, so a dry period of a week or two might cause apprehension.

The loan wheat continues to come out slowly, and apparently, on this break, farmers are not anxious to redeem the impounded grain. In fact, there was one request from a state senator to the Secretary of Agriculture urging that all loans be renewed if the farmer desire it, evidently giving the producer a chance to speculate longer in the event that prices rise later on. There have been so many changes in

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Washington, even after definite policies had been laid down, that nobody can know for sure, but very likely there would be some resentment on part of those who have already liquidated their holdings if such an extension were to be granted. We, therefore, doubt whether the powers in Washington will do anything, although, of course, we have no inside information on this subject.

Primary receipts were of fair proportions, amounting to 648M bu versus 739M bu last week and 471M bu last year. Kansas City and Minneapolis stocks so far this week showed a net decrease of 17M bu. When the visible supply is posted on Monday it will compare with the shrinkage last year of 2 million bu. Despite adverse crop reports, there was only moderate recovery from the low point of the day. May wheat finally showed a decline of 3/4¢ a bu, while the July future was down 5/8¢ a bu.

Corn was fractionally lower and the same was the case with oats. There was no general discouragement but rather, a lack of buying power.

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CHICAGO March 18, 1940.

Weather over the week-end was mostly dry, and the map does not suggest precipitation of consequence, except for the Central States, although light showers may occur in eastern portions of Kansas. It has generally been felt that moisture since last December has been better than average in most of the winter wheat states, and judging from the reports, many traders have figured that some correction has taken place, although not full recovery because of the fact that drought had been so severe last fall.

In studying the official government map for the three months; namely, December, January and February, we find that the above is not entirely correct. In Nebraska for instance, moisture was about 103% of normal during that period; in Kansas, 102% of normal; in Oklahoma, 90%, while Texas moisture was only 73% of normal, taking the State as a whole. We find that even in the Central States, where fair snows were had, a certain deficiency exists; and in Illinois, moisture was only 63% of normal; Indiana, 66%; Ohio, 72%; Missouri, 70%; and Kentucky 73%.

It is obvious, therefore, that spring rains are very necessary, and with a rather dry period ahead, one might have expected a little more bullish enthusiasm this morning, but this was not forthcoming, and probably certain indecision on part of traders resulted from various peace rumors, which continued over the week-end. Hitler and Mussolini met somewhere in the Brenner Pass, but the context of these conversations was not divulged, and nobody knows just exactly what took place in their discussions. In any event, there was long liquidation right at the opening, and apparently, it was the desire by some to even up commitments just in case the unexpected would happen. We, ourselves, see nothing to influence an immediate peace. Many people had forecast last January that before a spring offensive might start, Germany would undoubtedly make certain proposals, but it is not considered likely that she is willing to concede any territory, either of her own or that which she recently acquired. Therefore, we hardly imagine that the allies could accept such terms without admitting defeat.

World's grain shipments were somewhat smaller at 7 3/4 million bu, a reduction of about 3 million bu from last week, and this compared with 11 million bu a year ago, at which time Australia was included. Chances are that after navigation opens in Canada, larger quantities will be placed afloat, but otherwise, Europe is living on a hand-to-mouth basis.

The government report to be issued this afternoon will not include an estimate of the winter wheat crop, and apparently the government figures that there are too many uncertainties at this time. However, they will give out farmers' intentions to plant as of March 1st, but we do not believe this will be very important marketwise.

When the visible supply of wheat was posted it showed a rather small decrease of only 728,000 bu. Total stocks are 97,451,000 bu compared with slightly less than 80 million bu on hand a year ago. With the milling demand as quiet as it is, we are not making heavy inroads into our surpluses. Chicago, however, showed another decrease of 251,000 bu; there are only about 4 1/2 million bu in elevators and afloat at this market. Primary receipts today were 764,000 bu --much the same as last year, and compare with 562,000 bu last week.

There was no particular trade incentive today, except that a good many conservative people are quite pessimistic about the outcome of the winter wheat crop. We think it is too early to have definite ideas. With the stock market holding relatively firm, there was some buying in grains after early liquidation, but no real enthusiasm. At the last May wheat was 3/8¢ per bu lower than on Saturday, while the July future was down 1/2¢ per bu.

Trade in corn was again very small. We note that on Saturday less than 1 1/2 million bu were traded in, and the situation remains very artificial. There are probably 500 million bu tied up under the loan or in government hands, and possibly 25 to 50 million bu will be added to this reserve before the program terminates. Therefor, if we get normal yields next year, nobody can predict what the price level is apt to be.

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CHICAGO March 19, 1940

The world is hardly any wiser after yesterday's meeting between Hitler and Mussolini at Brennero. These two men, each with his First Lieutenant, entered an armored car, the shades were drawn, and when they emerged, one wore a smile and the other looked pale, according to press dispatches, but what the actual discussion was remains a mystery. The fact is that the outlook is none too good for an immediate peace. One country can start a war, but it takes two nations to stop it, and we doubt very much if even an alliance between Germany, Italy, and Russia would end hostilities, because the allies would still find it necessary to fight for their existence; possibly the German Fuehrer had this conference yesterday before a spring offensive might be entertained. Without great concessions on part of Germany, it is dubious that peace negotiations would be considered by England.

Possibly others felt the way we did, and first quotations were somewhat higher for both securities and for wheat. The latter, however, was influenced also by a government crop report issued late yesterday on farmers' intentions to plant. The indicated spring wheat acreage is about 19 1/2 million acres, or somewhat less than had been looked for. These intentions, however, may be larger or smaller, depending upon soil conditions later on, but assuming that the sown acreage is finally in the neighborhood of 20 million acres, it would still be quite possible to have a spring wheat crop of 200 million bu, which would only mean an average yield of 10 bu per acre. The average 1929-38 acreage was 22,344,000 acres, but, of course, during that period there were no governmental restrictions, and the farmer could plant whatever he wanted.

The CCC reported yesterday that 123 million bu of wheat are still impounded under the loan plan. This comprises wheat from the 1939 crop, and we assume that an additional 3 million bu must be added for the 1938 wheat that is still tied up. Therefore, between now and April 30th, large quantities will undoubtedly be redeemed if the price permits the farmer to liquidate his obligations, and thus pay off these loans. It may be that 20 to 30 million bu in the far western districts will be carried beyond that period, as the government has made some concessions where farmers are not adjacent to suitable markets, but we are looking to the probable release of 90 to 100 million bu. This may not be a great burden if crop scares give bullish impetus to the market so that either an improved milling demand takes place, or else an enlarged speculative demand arises; but otherwise it might place a damper upon an advancing tendency, and here, again, we have added uncertainties injected into the picture.

For the first time the Australian government disclosed the total wheat and flour shipments since war was declared, but exports were only listed to January 31st, showing slightly less than 29 million bu cleared.

Primary receipts today were quite heavy-- 1,025,000 bu versus 980,000 bu last week, and 513,000 bu last year. The country reported that loan wheat was being offered a little more freely. There was hardly any export business reported from Canada, although a few scattered lots were sold to the Continent. However, European crop advices were not overly optimistic; in fact, some complaints were registered because of the severe cold during the winter months, which was thought to have done damage, or possibly made heavier abandonment likely. Plowing in Western Europe and in England is progressing, and it has been reiterated that efforts will be made to increase acreage.

There were enough adverse reports from our Southwest to keep the market on the upgrade during most of the session, and at the last, May wheat was 1 3/8¢ higher, while the July future advanced 1 1/2¢.

Corn was affected very little by the farmers' intentions to plant, indicating a smaller acreage, but it is pointed out that if wheat abandonment is as large as some believe, the acreage thus saved will be devoted to feed grains.

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CHICAGO

March 20, 1940.

Hitler's statement yesterday that he had made his last peace overture in October was considered militant, and last night's British bombings on Nazi air bases also were more convincing that war activities would probably be intensified. In France, the Daladier cabinet resigned. The deputies had demanded greater action against Germany, and apparently, it is the nations' wishes that there be an end to the passive war which the allies have conducted thus far. From Germany, word came that Hitler was ready to sacrifice one million men on a large-scale offensive, and apparently, preparations are being made for a smashing attack of some kind in the West. Whether or not all of these things are true, it is quite obvious that no immediate peace is in sight, and this was reflected in higher prices of airplane stocks and other securities; also, grain markets registered further advances this morning although nothing of a very sensational character.

For many weeks past, activity in the flour markets has been on a hand-to-mouth basis. According to the Northwestern Miller, bookings by winter wheat mills averaged 31% of capacity last week versus 34% the previous week, and 36% a year ago. In the Northwest, the decline was more marked, sales being only 40% the past week, compared with 58% the week earlier, and 65% in 1939. This morning, however, bakers must have been more impressed with the belligerent news and mill buying was in evidence, a number of hedges being taken out of the pit, although fair profit taking was in evidence at times as commission houses sold.

The tenor of crop news was much the same as recently, and very few encouraging reports were received from Southwest districts. In fact, Oklahoma continues to complain that rains are needed and the present drought makes seeding plans uncertain; we believe that this is probably one of the worst states. It remains to be seen whether the proverbial April showers will correct the damage now being reported. The government weekly weather and crop report claimed that prospects in that State were "poor to fairly good", and in other sections of the Southwest the crop was apparently showing the effects of the dry autumn. However, winter grains are making good progress in the Pacific Northwest. We believe it will still be a few weeks before accurate statements can be made. A few localities reported precipitation, but it was relatively unimportant in the sections that were complaining the most. Those who study the weather map are not very hopeful that there will be immediate relief.

Primary receipts were moderate at 647,000 bu versus 706,000 bu last week, and 441,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 5,000 bu.

There was no weakness at any time, and the line of least resistance was on the constructive side of the market, with more investors paying attention to war news, and belief in its continuance. This, together with adverse crop reports, gave us a substantial advance, May wheat closing 3 7/8¢ per bu higher, while the July delivery was 4¢ per bu up.

Corn was influenced by the much better undertone in the leading cereal, but in addition to this, receipts at primary points were light, and there was very little pressure upon the market.

Rye was strong, trade was not particularly large, but the advance kept almost full pace with wheat, and the general feeling on the Exchange floor was bullish.

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CHICAGO March 21, 1940.

There is no great change in world statistics, or even the outlook. Pressure from Southern Hemisphere is unimportant. First of all, the old crop in Argentina is deteriorating; the surplus for export is not large, and with a crop failure shipments will be comparatively small for the balance of this season. In Australia, the visible supply is about 142 million bu compared with only 62 million a year ago. Not only was the crop larger, but shipping difficulties are keeping more wheat at home than the government desires; yet, there is no immediate remedy. Canada is the one country that is doing most of the business at the present time. The exportable surplus of wheat and flour, based on the latest estimate on production, and deducting a minimum carryover, is around 300 million bu; and on that basis, during the next 29 weeks, they could ship 10 million bu a week; but we see no likelihood that anything like that can be accomplished.

The Cereals Control Board in England has advised millers to use at least 60% of Manitobas, and if this is done, it would use up 2,400,000 bu a week, or in the neighborhood of 10 million bu a month. This leads us to believe that every four weeks or so Britain will step in and take on a large chunk of wheat, as was the case a week ago; but from all present appearances, we think that Canada will have a very large carryover next August.

Since August 1st, total world shipments to Europe were 47 million bu smaller than last year, while ex-European countries took 36 million bu less. This means that altogether 83 million bu less was placed afloat, except that we estimate Australian shipments, which are not included in this figure at about 35 millionbu, which means the importing world has probably taken 48 million bu less wheat so far this season as compared with the year earlier, despite the war. This confirms our belief that great economies are taking place.

About mid-session Washington reported that loans would be extended to farmers in certain dry areas, but we take it that this only refers to farm stored wheat, and that it will not affect grain stored in terminal warehouses. As of March 19th, according to the Department's own figures, there was a little more than 27 million bu of loan wheat (on farms) in all States. Therefore, we do not believe that this change means a great deal marketwise, although at one time it caused a bullish feeling and prices advanced, but the best figures of the day were not maintained.

The weather map suggested rather general moisture --not heavy in all sections, but possibly snow in the Northwest and around the Lakes, elsewhere rains, and this should be helpful even though many people still insist that irreparable damage has been done.

Primary receipts were quite moderate at 718,000 bu versus 726,000 bu last week, and 498,000 bu last year. So far this week Kansas City, Duluth and Minneapolis stocks show a net increase of 802,000 bu. The big increase was in Duluth, and we would not be surprised if finally some of this wheat would find its way to Chicago on May contracts. The visible supply may not show much decrease on Monday next; a year ago the shrinkage was also small, at only 1,358,000 bu.

There were several erratic swings; moisture on the one hand tempered bullish enthusiasm, and there was not much help from the securities market as was the case yesterday. Therefore, with a certain number of contracts evened up prior to the holiday, changes were not substantial, and at the last the May delivery showed a loss of 3/8¢ per bu, while the July was 1/2¢ down.

Corn was firm, but there was no particular feature; in fact, trade was again very light.

There were a few liquidating orders in oats, and prices declined, volume, however, was small, and we doubt if there are many shorts in this cereal. Therefore, it requires buyers right along, and these were rather scarce today as there was no particular encouragement.

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CHICAGO MERCANTILE EX.

CHICAGO March 25, 1940.

There were no major developments in the European situation over the week-end, with the exception that the recent French cabinet formed by Premier Reynaud seems to be gathering strength. Furthermore, expectations of an early peace are being discarded, with the feeling growing that the war will continue for a longer period of time.

At present, the attention of wheat traders is being focused on the Southwest, but owing to the fact that rather cold weather has prevailed over that section and very little growing weather has been experienced, it is extremely difficult to draw any conclusions as to the probable size of the winter wheat crop. Most of the reports received from Kansas and Oklahoma are of a pessimistic nature, although from Hastings, Nebraska, we received a message that farmers in the central part of that State are more optimistic generally than a week ago, and do not seem to be concerned about the lateness of the season. Weather predictions point to rising temperatures throughout the Southwest, and it will take several weeks of growing weather before reliable opinions can be formed as to the damage done and the probable outturn. It will no doubt take very favorable weather to overcome some of the handicaps, although one must not overlook the fact that the condition given by the government on December 1st was extremely low and anticipated some of the later damage.

The coming new crop will start with a record world's carryover, but in attempting to analyze its effect marketwise, one must give full cognizance to the distribution of the surplus. Argentina is the one country that will have a smaller supply. At present their exportable surplus amounts to about 50 million bu of wheat, the quality of which is none too good. Therefore, the world cannot rely upon any large shipments of wheat from that source. Australia has a crop larger than originally anticipated, but finds it difficult to ship her wheat owing to her inability to secure ocean tonnage for the long haul. Russia cannot be counted on to ship any wheat; acreage in the Balkan States is reduced, and as there has been a certain amount of damage due to severe weather, we cannot look forward at the present time to any large supplies from that source. With crop conditions in the U. S. as they are at the moment, it is possible that our carryover will be cut into in order to meet home requirements. There is a surplus at the present time in our Pacific Northwest, and their prospects seem to be excellent, although it may be possible that subsidized exports will be continued from that section. This, then, leaves Canada to be considered. At the moment, that country has around 343 million bu surplus, and is shipping at the rate of around 5 million bu a week; so they will end the season with record stocks. However, more and more they are bearing the brunt of world shipments, and it appears as if they would have to continue doing so for a considerable period of time. Inasmuch as they have been the country most burdened with supplies, any inroads made into their stocks, and any approach to more normal conditions, would mean a great change for the better. Undoubtedly, Europe is still well supplied with wheat and will have a large carryover, but it is also reasonable to suppose that they will continue to carry as large a stock as possible to offset any emergencies likely to occur during wartime.

World shipments for the week, exclusive of Australia, which does not report, totaled 8,792,000 bu, compared with 7,447,000 bu a year ago. Of this quantity North America furnished 4,728,000 bu and the Argentine 2,976,000 bu. According to Broomhall, from August 1, 1939, to March 15, 1940, or a period of 33 weeks, total world shipments, not taking Australia into account, amounted to 282,151,000 bu. If we figure that Australia has probably contributed close to an additional 40 million bu, it would make total shipments in the neighborhood of 322 million bu, which is less than for the similar period the previous year, when they totaled 365 million bu. If Broomhall's estimated requirements for the season of 560 million are to be met,

(OVER)

it would mean that for the remaining 19 weeks all shipments would have to total approximately 238 million bu, or about 12 1/2 million bu a week. Therefore, it seems apparent that his last estimate of world import requirements will have to be revised.

The visible supply of wheat showed a decrease of 1,269,000 bu, and the total visible now stands at 96,182,000 bu, which is 17,718,000 bu larger than for the same period last year. Chicago stocks for the week decreased 134,000 bu, and now total 4,332,000 bu. Primary receipts were rather heavy, amounting to 1,028,000 bu versus 764,000 bu last week, and only 614,000 bu the same period last year.

Traders this morning seemed to be impressed with the continuation of cold weather throughout the winter wheat belt, and with the lack of moisture. While some loan wheat is coming on the market continually, there did not seem to be any evidence of large quantities. Locals were also encouraged by the strength in outside markets, and at the close May wheat was 1 5/8¢ per bu higher, while the July advanced 1 3/4¢.

There was very little news in the other cereals, and the firm undertone was influenced mostly by the strength in wheat.

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CHICAGO MERCANTILE EX.

CHICAGO March 26, 1940.

The British pound sterling again sank to a new low level this morning, and is now the lowest since the pound was removed from its gold base in September 1931. However, this is the unofficial, or free pound, which can be traded in the market; the official rate is still pegged at $4.03 1/2 by the British government Warfare distorts economic conditions and causes a huge demand on the power of a nation to produce goods for immediate consumption. Finally, if the growth of consumption, civil and military combined, gets beyond the capacity to produce, serious inflation sets in. However, in England efforts are being made to combat the situation by restricting civilian consumption, rationing supplies, and limiting the purchase of luxuries. Despite these efforts, the general index of wholesale prices in Great Britain has advanced from 98.1, when the war was declared, to 123.8 in January, and it is undoubtedly at an even higher level today.

The effects of war are also felt in agricultural pursuits. While the drain of manpower from the farming communities curtailed fall sowings of grains in Europe, and may handicap them still further in their spring acreages, other factors have been brought into play with which one will have to reckon. In England, the government is doing everything to increase acreages, but on the other hand in order to release manpower, the government tractors are working seven days a week. India, which has exported very little in recent years, is about to start harvesting their new crop, and it is thought that a little later they will be able to export some wheat, if ocean vessels can be spared. The exports of wheat and flour to the Orient have bee disappointing this year, although crops from the last harvest were not much larger than the previous year, when they had grave shortages. However, the advance in the price of wheat this year, and the high ocean freights have curtailed the business to that part of the world. With a somewhat better political situation, prompted by higher prices, China has now sown an increased acreage in the Northern sections, although this has been somewhat offset by the lack of moisture in the Central section. The Japanese, taking advantage of higher prices, have caused an increased acreage to be sown in Manchukuo. Supply and demand have always been one of the greatest regulators, and where prices advance unduly every effort is made to increase production, and economies are made in the purchasing of supplies.

In this country, the temperatures are beginning to moderate throughout the entire wheat belt. While the official government prediction was not particularly hopeful for rains in the Southwest, with the exception of possibly light showers in eastern Kansas, our own weather man and many map readers look for moisture in the central and eastern parts of Kansas, throughout the central States, and in our own Northwest. However, rather high winds seem to be prevailing at the present time, and many reports were received from districts around Enid, Salina, Hutchinson, and Wichita, claiming dust and strong winds. A rather pessimistic report was issued by one of the crop experts on many sections of Kansas and Nebraska, but we still figure that it will take at least ten days of growing weather before damage can be more accurately determined; and we feel that for the present weather will dominate the sentiment in our market.

From Europe, Broomhall reports that generally speaking spring field work is backward and that prospects for South Russia are none too favorable. The wheat production in Hungary is expected to be much smaller, and crops have suffered damage in Germany, and the more Western European countries.

Primary receipts of wheat were 976,000 bu versus 1,025,000 bu last week, and 404,000 bu same period last year. Kansas City and Minneapolis stocks show an increase so far this week of 145,000 bu.

(O V E R)

Traders were no doubt impressed with the possibility of changing weather conditions, and wheat was lower during the entire session, May closing with a loss of 1 1/4¢ per bu, and July 1 1/8¢.

We have been informed that recently some wheat has been purchased from the Pacific Northwest for shipment to Duluth, and possibly some of this wheat will later find its way to Chicago. Loan wheat was offered a little more freely in the Northwest, and that market was the weakest throughout the session. There did not seem to be any great evidence of much in either the Chicago or Kansas City markets. The open interest increased yesterday approximately 1,600,000 bu, and now totals about 93 1/2 million bu. A more general interest seems to be developing in the wheat market.

There was very little interest shown in corn, the same being true for the other cereals; in fact, outside of wheat, most of the pits were fairly deserted during the major portion of the session. Weather in the Argentine is cloudy, and following rains in some sections yesterday, clear, warm weather, according to Broomhall, is required for the maturing and picking of the new corn crop. However, the same source looks for a large increase in the stocks of that country by April 1st, as farmers are expected to rush their corn to market to obtain as good a price as possible.

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CHICAGO MERCANTILE EX.

CHICAGO March 27, 1940.

The British pound sterling again showed further weakness, and on basis of gold, and in terms of the dollar, it is now at the lowest level in modern times. To give some idea of what this decline represents, it is figured that the present price in terms of the dollar before it was revalued in this country, increasing the price of gold, would be equivalent to about $2.13. The weakness in sterling on the open market is due to drastic exchange control regulations recently put into effect, limiting the usages of this free sterling and compelling further usages of the official sterling, which must be purchased at $4.03 1/2. In the meantime, gold stocks in this country continue to increase, and rather heavy shipments have been received from the Scandinavian countries since the first of the year. For the week of March 20th, imports of gold into the U. S. totaled a little over $100 million compared with about $54 1/2 million the previous week.

During the past number of years, many artificial methods have been used by different governments in an attempt to solve agricultural problems, but, regardless, the price level still exerts a great influence on the consumption of wheat. In times of low prices, it expands, and as prices advance, economies are practiced and supplies are conserved. This is true throughout the world and is borne out by the statistical records of disappearance. In the early 30s, when total supplies of wheat for the world approached 5 billion bu, the annual consumption was a little under 4 billion bu. Prices sagged until foreign wheat arrivals in England went to the low 50s. The average price of wheat in Chicago went to around 53¢ a bu, which meant approximately 38¢ on the farm. During this period in the U.S., consumption expanded and reached as high as 750 million bu. A few years later, as the world ran into smaller crops, there was a recovery in price. In England, values rose to about $1.25 a bu, and as a consequence world disappearance declined around 200 million bu to a total of 3,800 million. In the U. S., the consumption decreased almost 100 million annually to a figure between 650 to 675 million bu, despite an increase in population. Following this period, we again had larger world crops, and prices again declined until last year the average price of wheat in Great Britain was 52¢, the lowest in several hundred years. As a result, consumption reached the all-time high, and was estimated about 4,044 million bu. The disappearance in the U. S. was about 700 million bu. Since advances set in last fall, there has been a reduction in world shipments, indicating the smaller world disappearance, although this reduction is partly due to the difficulty and expense of ocean shipments during the war. Our own Agricultural Department seems to indicate that they look for a disappearance in this country of around 660 million bu. Of course, it must be borne in mind that other factors have also had an influence on the consumption. Some years there had been a scarcity of corn and other feeds, and naturally wheat was used as a substitute; but, nevertheless, the price still exerts the major influence on consumption.

The tenor of news is still very pessimistic. The Oklahoma weekly crop report states that high winds have practically depleted top soil moisture and there is practically no subsoil moisture. Rain is urgently needed over most of that State. The agriculture statistician for the State of Kansas reports that wheat showed some improvement in that State during the past week, but development is very slow. The Cargill Grain Company, in their bulletin of March 27th, calls attention to the fact that subsoil moisture over most of the Great Plains States from Texas to the Canadian provinces is decidedly deficient, and that it will require weeks of rain of cloudburst intensity to bring it up to normal. They feel that unless conditions show decided improvement in the Southwest, previous estimates of around 400 million bu will have to be radically lowered.

(OVER)

Despite these reports, we know from experience that timely and sufficient rains can make a great change in the outlook, but on account of the poor start, it will take better than average conditions to bring about the desired results. The weather will be the paramount issue for the time being, and, therefore, traders eagerly scan the weather reports each morning. While our own weather man does not look for moisture in Kansas, with the possible exception of the northeastern section, the official forecast is a little more hopeful, and this seemed to impress the traders.

As a consequence, after an early bulge locals were ready sellers, and during the major part of the session, the tone of the market was weak. Furthermore, the pressure from the loan wheat is being continually felt, particularly in the Northwest. While trade still remains rather restricted, there seems to be more wheat coming on the market than can be readily absorbed. We heard some talk of Pacific Coast wheat being sold to Russia, but so far it has not been officially confirmed.

The open interest continues to show an increase and now totals approximately 94 1/2 million bu for all months. At the close, May wheat was 3/8¢ per bu lower, while the July showed 1/8¢ decline.

Primary receipts of wheat were 874,000 bu versus 647,000 bu last week and 413,000 bu last year. Kansas City and Minneapolis showed an increase in stocks so far this week of 137,000 bu.

Very little interest was expressed in corn, and fluctuations were within a very narrow range. The same is true of oats and rye.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

MEMBERS:
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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO March 28, 1940.

The paramount issue in the wheat market at the present time is the weather developments, and all reports are very carefully scanned for clues. The weather map at the moment is a rather difficult one to interpret. The official forecast issued this morning did not hold forth much hope for moisture in Kansas, with the possible exception of showers in the extreme Southeast. However, many map readers, and our own private weather forecaster, as well, took a more hopeful view and looked forward to some moisture in Kansas, Oklahoma, and Texas tonight and Friday, clearing in the western portions by Friday night. Naturally, with these conflicting reports traders remain nervous. In the meantime many reports of dust storms and high winds are being received from the Southwest. Wichita and Hutchinson, Kansas, both reported the air full of dust, with a strong south wind; Enid, Oklahoma, states, they had a pretty bad dust storm for about an hour and a half this morning. The crop before maturity will be subject to many vicissitudes of weather, and if one can go by the law of averages, there should be many periods when conditions are reported more favorable, and also, many times when a more pessimistic feeling will prevail.

The Robinson Elevator Company, in their report of March 29th, paints a rather gloomy picture for Kansas. At the present time they estimate a crop of 76,200,000 bu for that State, but mention that the report will have to be revised from time to time, depending on weather developments. We ourselves,even though we may be accused of repetition, cannot help stating again that it is still too early to formulate very accurate estimates, although we are fully cognizant of the unfavorable conditions that exist at present.

The milling demand remains rather indifferent, and there is continual pressure of loan wheat coming on the market. This is evidenced by the fact that the open interest again increased yesterday, and now totals approximately 95 1/2 million bu. Canada enjoyed a better demand, and the amount of Manitobas worked is estimated upwards of 2 million bushels.

Sanford Evans reports that the Australian government has just released figures of wheat and flour exports fromAugust 1st to January 31st of 28,844,000 bu, which compares with 43,696,000 bu last year, and the 5-year average of 56,702,000 bu. There is no doubt that their exports were somewhat handicapped by the scarcity of ocean bottoms, as well as high freight rates; but the same source expects shipments to run a little heavier from now on, as the British government is issuing instructions to convey 10,000 tons of flour monthly from there to Great Britain, and the Australian Wheat Board has appointed a selling committee in Shanghai to facilitate the handling of their supplies in the North China market.

World shipments from August 1st to March 21st totaled 314,877,000 bu versus 373,160,000 bu for the same period last year. However, in making comparisons, it must be borne in mind that the figures fromAustralia are incomplete and that no figures from January 31st onward have been included. We would judge that this would probably account for another 12 million bu. Exclusive of Australia, Europe has taken so far 46 million bu less than last year, and ex-Europe 37 million, or a total of 83 million bu, but from this figure the total shipments of Australia from the 1st of August would have to be deducted, possibly amounting to about 40 to 45 million bu, although the distribution is unknown.

FromArgentine we hear that rains this week have been favorable for field work. The surplus of wheat remaining there, according to Broomhall, is approximately 65 million bu of which somewhere in the neighborhood of 30 million will still be needed for Brazil, leaving but a small quantity for European shipment.

Primary receipts were 936,000 bu compared with 718,000 bu last week, and only 523,000 bu same period a year ago. Kansas City and Minneapolis stocks so far this week show a net increase of 150,000 bu.

Although dust-storm reports continued to come in during the entire session, with low visibility in many sections, there were some rains reported from Nebraska, and the market was unable to retain its advance. At the close May wheat was 3/8¢ per bu lower, and the July delivery 1/4¢ per bu down. The May future keeps weaker than the other futures due no doubt to the hedging of purchases of Pacific Coast wheat. Whether any of this wheat will find its way into the Chicago stocks remains to be seen, as it is now practically on a shipping difference.

Corn was more or less neglected, although there were some small quantities reported sold for export.

Moisture in the northwestern states has been beneficial for the new rye crop.

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CHICAGO March 29, 1940

There have been no recent developments in the European situation of a bombastic nature, but there has been strong evidence of a popular demand that the allies assume more of the initiative in the present war. This is discernible by the change of premiers in France, and by the demand for a more mobile inner-war cabinet in Britain. However, this sentiment no doubt has been magnified by a certain temporary loss of prestige in the collapse of Finland, and its possible effect on the Balkan nations. Furthermore, there is a growing feeling that time might be playing into the hands of Germany, as there is the possibility that over a period of several years she can build up supplies from Russia, consequently weakening the effect of the allied blockade. Never in history has it been the attitude of Britain to get into an untenable situation, and her problem at the moment seems to be to find a more active policy which will satisfy public opinion, and yet not rush pell-mell into some hazardous venture which might have disastrous consequences

As far as grain news is concerned, there has been very little, except of a more or less routine nature. There were some rains received overnight in the northwest portion of Kansas, and parts of Nebraska; also, quite good precipitation in the northwestern states, which should be beneficial for the spring wheat crop. There are some indications of moisture in parts of Oklahoma and Texas. The low area has moved on, and very much less was heard today regarding dust storms and bad blows. However, if the usual pattern is followed there should be many periods of more or less unfavorable weather during the growing season, but it seems as though supplies at present are a little bit heavier than the market can assimilate. With a visible supply of 96 million bu and possibly somewhere in the neighborhood of 90 million bu of wheat still under the loan (the last official figure as of March 14th was 112 million bu) a great deal of which will have to be absorbed by the market, new buyers will have to be found.

In the meantime, milling demand remains rather dull, and export business is practically nil. From the Pacific Northwest, we hear that conditions surrounding the growing wheat crop are favorable, with the soil in the best shape in many years. The good outlook in that section is no doubt one of the reasons for the anxiety of the farmers to sell their wheat, which has been exerting quite an effect on both the Chicago and Minneapolis markets. Stocks of Pacific Coast wheat are heavy. However, the present prospects in the Southwest cannot be overlooked, and it will take better than normal weather and moisture to increase the outlook there to any perceptible degree.

Owing to the difficulties of obtaining ocean transportation, heavy arrivals of grain at Australian terminals are piling up and taxing storage capacity; in fact, grain sheds are being converted to use for public storage.

Primary receipts were 1,077,000 bu versus 507,000 bu last year. There is no comparison with a week ago owing to a holiday. So far this week Kansas City, Duluth, and Minneapolis show a net increase of 820,000 bu. Last year the visible for the week declined 3,060,000 bu.

There were no reports of any large quantity of Manitobas worked overnight. According to Sanford Evans, as of March 22nd, the balance remaining in Canada for export and carryover amounts to 369,687,000 bu versus 153,295,000 bu last year; so that country will have no difficulty whatsoever in meeting any demand that might arise from the U. K. or elsewhere.

Our market still shows no signs of any of the oldtime leadership, and locals are called upon to bear the brunt of much of the trading. There is a more or less discouraged feeling over the fact that the pessimistic reports of the past few days have had no effect on the market, and during practically the entire session, lower prices were registered. At the close May wheat was 1/2¢ per bu lower, and the July 5/8¢. Apparently, the pressure has eased somewhat in Minneapolis, as that market, having been the weakest for several days, at times showed some gain in relationship to Chicago.

There is very little interest in corn at the moment, most traders being impressed with the large amounts which will be impounded under the loan. While these supplies do not come out on the market, nevertheless this corn stays in the show windows.

The northwestern states have been benefited by recent moisture, and the outlook is more favorable to the new rye crop.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO April 1, 1940

The market for the open British pound sterling, while not showing any wide ranges at the moment, is apparently still trying to appraise the proper relationship of this currency in world markets. For many years the British pound was considered the standard for international trade, and the currency of many smaller countries was closely tied up to that of England. Of course, prior to the outbreak of the last World War, the pound had remained practically stationary for a period of almost 200 years, but in looking back over the records for about 700 years, this currency, measured by the number of ounces of fine gold represented by the pound sterling, has shown a steady decline, and with the exception of periods of minor adjustments there has never been any real recovery. Going back to the year 1337, at the outbreak of the Hundred Year War, there was somewhat over an ounce of gold represented in each pound sterling, but by the end of that conflict, it had been subjected to a severe depreciation until about only 3/4 of an ounce of fine gold represented a pound. Further declines occurred during the War of the Roses (1455-1485), and all through the earlier history of England until approximately the beginning of the 18th century, when she enjoyed a long period of stable currency until the World War of 1914. In the post-war period, efforts were made to re-establish the pound sterling at its former basis, but this action proved futile. Past events may have some significant meaning as to the future value of the pound sterling; and whether it be England or any other country, history shows that when once a currency has been devalued, it has never been restored to its former status.

Quite a few reports were released this morning, showing the very poor conditions that exist through the winter wheat territory. The Santa Fe Railroad claims that in Kansas wheat has failed to improve as much as was expected following the mid-winter snows, and prospects are unfavorable. They indicate abandonment for the State as a whole of 50% of the total acreage planted, with the high winds and dry weather of last week inflicting further damage. One of the crop experts issued a report that gives a very gloomy picture for 31 counties of Kansas, and the Secretary of the State Association of Grain Dealers of Kansas, estimates that State will probably not produce more than 66 million bu of wheat. This latter statement, however, seems to be a little untimely as much can happen during the balance of the growing season, and the actual output will depend a great deal on developments between now and harvest. There can be no doubt that conditions at present are anything but desirable,but should weather turn favorable, the more pessimistic estimates probably will have to be revised upwards. Once in a while, a few more encouraging reports are received; we had one today from Salina, Kansas, stating that there has been more top growth in the past three days than in the past three weeks, and with the warmer temperatures the wheat seems to have jumped out of the ground.

In spite of all the discouraging reports, there are two factors which apparently prevent traders from expressing themselves more vehemently. First, the crop started under great adversities, and the first government report issued last December showed an extremely low condition. Normally, when the plant gets off to such a bad start, there is room for improvement; however, so far there has been no great evidence of same. Second, while awaiting a further appraisal, pressure from the loan wheat hedges acts as an offset on bullish enthusiasm. It should, however, be borne in mind that action on the loan wheat in warehouses must be taken this month; thereafter, this pressure will be relieved-- and coming events usually cast their shadows before.

We note that Australia is still having difficulties in securing sufficient vessel space, and apparently, some boats are being booked to carry Australian freight to United States Atlantic ports for reshipment to the western European war areas. The U. S. Neutrality Act has removed American tramp tonnage from Western and Northern Europe sea routes, and provided shipping rates are not too high, many of these boats may be diverted to carry Southern Hemisphere merchandise

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via Atlantic ports, and thus save allied tonnage a lengthy and costly journey.

The wheat visible showed a decrease of only 577,000 bu, against 3,060,000 bu last year. The total now stands at 95,605,000 bu, and is slightly in excess of 20 million bu greater than a year ago. The stocks at Minneapolis and Duluth showed a healthy increase, a great deal of which was no doubt due to the redemption of loan wheat, and possibly shipments from the Pacific Coast. Chicago stocks changed very little; in fact, they increased 8,000 bu and now total 4,340,000 bu. Primary receipts are running heavy and amounted to 1,318,000 bu vs. 1,028,000 bu last year, which compares with 857,000 bu a year ago.

Our private forecaster was rather optimistic this morning that moisture would develop in the western part of the winter wheat belt, but this was not confirmed by the official. As the weekly weather report of Saturday indicated some moisture in the Southwest toward the middle of this week, it may be possible that our weatherman's forecast is a little premature, although the map is such that developments may take place.

The local element had a little friendlier feeling towards wheat this morning, somewhat helped by the strength at Winnipeg. It was reported that upwards of 10 million bu of Manitobas were worked over the week-end, with the majority of the wheat headed for the U. K. The strength at Minneapolis was also a factor, and evidently the loan wheat in that section is only coming out in modest quantities. However, there was not enough buying by outside sources to hold the full advances and best prices were not maintained. At the close May wheat showed an advance of 3/8¢ a bu, while the July was 1/2¢ higher. The September future has shown a tendency to gain on the July.

Primary receipts of corn are running light, but there is very little interest expressed in this cereal at the moment. The period for applying for loans expired on Saturday, and it is estimated that there will be approximately 525 million bu of corn sealed under loan or held by the CCC.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO April 2, 1940.

The answer to the popular demand in England and France for a more active war, or at least a better defined program that can be more easily understood by the populace, was made this morning by Prime Minister Chamberlain in the House of Commons. He stated that the allied powers are determined to prosecute the economic war against Germany to the utmost, and that the sternest diplomatic and, if necessary, naval measures would be undertaken to tighten the blockade of Germany, regardless of the effects of such a policy on the neutral nations. However, no definite plans were announced, but every move will no doubt be carefully considered as to ultimate effects and consequences on those nations who are not at war, but who are engaged in commerce with Germany.

Wheat prices in Chicago are very little changed from six weeks ago, despite the almost consistently bad reports that have been received from the Southwest during the past ten days. The failure of the markets to respond to what would normally be considered extremely bullish news is causing some bewilderment in the trade, and it may be in order to again reflect on what has been hanging over the markets. In December of last year, the AAA announced that wheat loans would have to be taken up by April 30th on all warehouse wheat, although in certain states, loans on farm-stored wheat could be renewed. Subsequently they added to this feature so that it covered additional states, and permitted renewals on probably 27 million bu wheat that might have had to be disposed of this month. Still later a further change was made, and as we understand it, farmers may default on warehouse wheat loans, which wheat will be pooled. The farmer then may still participate in any profit that may accrue on this wheat after the government agency finally disposes of same, and all expenses are paid.

The peak of wheat loans of all types was approximately 167 million bu, at which time the open futures commitments in Chicago were about 85 million bu. This interest was reduced to 80 million bu around the middle of February, at which time the unredeemed loans had decreased to approximately 140 million bu, and the visible supply totaled 104 million bu. Since that period the open interest in wheat futures in Chicago has increased about 15 million bu, while loans reported as of March 21st, were 108 million bu, and of course, are less today as there is a lag in reporting. During the same period, the visible supply declined about 9 million bu. Inasmuch as the farmers will have to make their decision this month as to disposition of the loan wheat, there is undoubtedly a large amount still to come on the market.

As pointed out above, there has been little change so far in the market price of wheat, new buyers having been found to absorb additional hedges in the pit. Of course, with time so short, loan wheat may come out faster during the next few weeks, and as this pressure has long been anticipated, it is very possible that additional new buying of futures has been held in check awaiting a more opportune moment, despite the unfavorable crop reports. Chicago is the market that usually bears the brunt of hedges, and this is shown by the fact that we have increased 15 million bu, while Minneapolis only enlarged their open interest a little over 2 million bu, and Kansas City 1 1/2 bu. This is especially significant as the actual amount of loan wheat in Chicago has been very small compared with that in other primary markets. Readiness of new buyers for the next several weeks to assume these hedges will no doubt be the determining factor as to prices.

There has been no relief in weather conditions in the Southwest during the past 24 hours and the official prediction holds out but little hope for moisture. There are a few map readers who take a more optimistic view, but there will have to be greater evidence of a change to have an effect marketwise. Messages were received today showing high, strong winds with lots of dust; in fact, Amarillo notified us that the wind is blowing 35 - 40 miles an hour. Temperatur

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have been rather high, but cooler weather is predicted for tonight and Wednesday.

In the meantime, we hear from the Pacific Coast that conditions in Washington and Oregon are almost perfect for development of the wheat plant, and that prospects are the best in many years. Moisture is expected in the Northwestern states, which will be very helpful as before long, attention will be focused on that section.

From across the water, Broomhall reports that in western and northern Europe, winter is still lingering, although there have been intermittent periods of milder weather. However, the season as a whole is backward. Wheat is being harvested in India and there is every evidence of a large crop, with probably a fairly good surplus for export. In the Argentine, it is reported, preparation of the soil for wheat planting has made satisfactory headway and the acreage to be sown will be equal to, if not larger than, last year's.

Primary receipts were again heavy today, totaling 1,007,000 bu versus 976,000 bu last week, and 568,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 22,000 bu. Flour sales from the Northwest were reported today as being a shade better, although there seems to be no great activity in milling circles. However, despite these reports, consumption keeps up at a fairly uniform rate, although total production of flour for the first 8 months of the current crop year was slightly ahead of the previous season; namely, 71,663,650 barrels versus 70,487,595 barrels respectively; and mills worked at 59.9 per cent of capacity against 57.6 per cent similar period the last crop year.

Apparently the market needs some new incentive, as adverse crop news at present is having no effedt; local traders are quite discouraged, and there was liquidation during the season. At the close both May and July wheat were 1/2¢ per bu lower. Apparently much of the present crop condition was discounted in the market earlier in the season.

Very little interest was expressed in any of the other cereals.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO April 3rd, 1940

Several crop reports were released this morning, and they were somewhat higher than had been indicated by the pessimistic reports sent in the past few weeks. One expert forecasts a crop of 435 million bu of winter wheat, while the other estimated 450 million bu. Comment is made that it is still too early to arrive at a definite conclusion, as much of the acreage in the Southwest is now at a critical stage, and that the weather will be the dominant factor. It is claimed that the condition in Kansas is still very low-- 42 per cent, but prospects in the soft winter wheat states have improved; and in the Pacific Northwest conditions are excellent. The condition report of the government issued December 1st indicated a yield of 399 million bu, so the trade was not prepared for much of an improvement from that figure. We ourselves have consistently pointed out that with the very low condition of last December, it was more normal to expect an improvement rather than retrogression. It seems to be the old story of bad news traveling faster than good; bad reports keep piling in from the less favorable sections, while little is heard from quarters where improvement is in progress. Of course, much can still happen between now and harvest; both the winter and the spring wheat will be subject to the vicissitudes of the weather. Should the final outturn from the winter wheat states be anywhere around 435 to 440 million bu, and spring wheat yields be in the neighborhood of 200 million bu, we would enter the next crop-year with total supplies of approximately 900 million bu. Looking ahead to 1941, unless the export demand should materially improve, supplies will be more than adequate.

There seems to be no feature at the moment to impart strength to the market; hedges from loan wheat continue to come in, and this pressure will nodoubt be felt during the major part of this month. The world apparently is not demanding as much wheat as usual, and Broomhall has now lowered his last estimate of world requirements by 32 million bu, and now figures that actual imports will be only 528 million bu against his last figure of 560 million bu. Not only has consumption been curtailed, but difficulties in obtaining adequate freight supplies since the outbreak of the war is aggravating the situation.

Canada's position is improving, and naturally, that country will be called upon to furnish the bulk of the world shipments, but they still will have very adequate supplies. Moisture in the three Prairie Provinces from September 1st to March 31st was below normal, with exception of Alberta.

The government weekly crop report states that progress in the State of Kansas during the week varied from poor to fair; in Oklahoma, there is some deterioration due to high winds and heat; in Texas, progress was fair to only fairly good; while in other sections conditions were more favorable. From the spring wheat territory, we hear that moisture was pretty general throughout the Northwest, and seeding might be delayed a week; nevertheless, the rains and snows have put the ground in better shape. There was no moisture of consequence received throughout the Southwest overnight, and there is no relief in sight, but temperatures have turned cooler and winds have subsided; consequently, there were fewer reports of dust storms received during the session.

Early in the session, the market was called upon to absorb considerable sales by commission houses; locals became discouraged, and quite a few lines were liquidated, with lower quotations than last night being registered. Later in the day, when some buying orders appeared, they caught the pit bare of wheat, and locals who had sold short earlier scrambled to cover. Sentiment was helped by a better tone in the stock market, and there was a good recovery. At the close both May and July wheat showed an advance of 3/8¢ a bu.

Primary receipts were somewhat less today-- 852,000 bu vs.874,000 bu last week, and 505,000 last year. Stocks so far this week at Kansas City and Minneapolis show a net increase of 97,000 bu. The increase came entirely from Minneapolis, and no doubt reflects receipts of loan wheat.

Fluctuations in the other cereals were within a narrow range.One estimate places the 1940 Argentine corn crop at 375 to 400 million bu; so under the circumstances, the U. S. will probably be called upon to furnish but small quantities for export.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO April 4, 1940.

The three items entering into the disappearance of wheat are: human consumption, animal consumption, and the amount used for seed. Naturally, the amount used for seed varies from year to year, according to the acreage planted, but the one item which shows the largest variation is the quantity fed on farms. In recent years, this has been running double the amount formerly fed. In the late 20s, statistics show that it usually averaged under 50 million bu, but in more recent years, it has greatly increased to a total over 100 million bu. Of course, several factors enter into the situation-- the amount of ordinary feed cereals available, and the relative difference between their price and that of wheat. Last year, it was estimated that 131 million bu were fed; in 1937, 112 million bu. These were two years of low prices for wheat. For several seasons previous, wheat ranged at higher levels, and the amount used for feed was only somewhat over 80 million bu. In the early 30s, when we had extremely low prices, as well as a failure in the corn crop and several years of smaller crops, the largest amount of wheat in history was used for animal consumption. In 1932, it totaled 124 million bu; in 1931, 173 million; and in 1930, 157 million bu. This gradual increase has been of benefit to the wheat grower, and has helped to offset some of the losses in our export market. During the 20s, we exported over 200 million bu, and now, even with large surpluses, we rarely get up to the 100-million-bu level.

On the other hand, diet in this country has undergone a change to the detriment of the farmer. The per capita consumption of flour in terms of wheat has decreased from 4.12 bu in 1928 to about 3.60 bu at the present time. The most rapid decline occurred during the depression years of the early 30s, and now seems to be leveling off. These figures may not be of particular significance to a casual reader, but the half-bushel decrease is equivalent to a total of 60 million bu; therefore, the farmer is not getting the entire benefit of the increase in population, which is at the rate of about a million a year.

The tremendous strides made by industry in this country during the past several decades was due to increased production, introduction of greater uses of machinery, and the lowering of costs, putting their wares within the reach of the purse of the average citizen. This is true in the automobile industry, in radio, etc. The farmer has also been following along these lines and has modernized his methods by the introduction of machinery for sowing and harvesting, with the consequence that there is less use of manpower; and the cost of producing a bushel of wheat per acre without overhead has decreased. In overhead, we list such items as taxes; the tremendous increase in this item in recent years has greatly added to the cost of operation. In trying to better the lot of the rural pupulation, the tendency in late years has been to seek a higher level of prices by acreage curtailment, currency changes, and other more or less artificial methods, all of which raises the cost to the ultimate consumer. Would it possibly not be better to take the clue from industry --try to cut down overhead, and also try to find larger and broader markets, with one view in mind: attempting to restore the 60 million bu which has been eliminated from human consumption?

The balance of the private reports was issued this morning, the average of which indicated a crop of 428 million bu. Naturally there is quite a wide variance in the opinions of the different experts, from a low of 410 million bu to the highest figure of 450 million bu. They all reflected the rather poor condition in Kansas. The estimates of abandonment run quite heavy, and the condition shown, as of April 1st, is one of the lowest on record..

In the meantime, weather continues dry in the Southwest and temperatures were reported lower. The official forecast for Kansas suggests some heavy frosts in the north; for the southern section,

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light to heavy frosts. However, unless there should be a very protracted period of cold weather, we doubt whether much damage will be experienced. Conditions, however, in the spring wheatstates are more favorable, and according to a report of the Occident Elevator; their survey shows that while there is a definite shortage of subsoil moisture throughout the territory, there is ample surface moisture to permit field work and seeding, and to give the seed a good start. They further report that apparently farmers will plant up to the full limit permissible under the AAA program, and if the season is favorable, there will probably be some tendency to exceed this amount.

Wheat and flour shipments from the Argentine are gradually declining; they totaled only 1,869,000 bu for the past week, and Broomhall estimates that the surplus, as of March 28th, in that country totals approximately 65 1/2 million bu, or 13 million more than the official.

Primary receipts were 747,000 bu compared with 936,000 bu last week, and 597,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 225,000 bu.

There was better buying support at the opening, with higher quotations registered. However, on the advance there appeared to be more willingness to sell loan wheat, and hedges came into the pit. At the close May wheat showed an advance of 5/8¢, and the July 3/4¢

Corn fluctuations were again within a very narrow range.

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CHICAGO April 5, 1940.

The food supply of France is one of the vital problems for the allies. Until the outbreak of hostilities she was practically self-supporting in the matter of foods; although she imported wheat from her colonies, on balance she could be classed as an exporter. More modern agricultural methods had speeded up production, in spite of a decrease in rural labor. However, the present war has created entirely new difficulties for French agriculture, and there exists at present a more or less acute shortage of labor to carry on the farm work. As the younger men have been drafted for active war purposes, it leaves the farming to be done by the older inhabitants. The World War of 1914 was a terrific drain on the manpower of France, and deprived that country of a high percentage of men who today would be between 50 and 60 years of age. As a consequence, it is claimed that the Autumn sowing of wheat was seriously handicapped, and subsequently it was found necessary to provisionally release a large number from the army and from military units not at the front to assist in plowing and sowing. Furthermore in the army zone the soldiers themselves are made to do a lot of agricultural work. In addition the allies have attempted to stabilize food prices. Therefore, the sharp advances which took place during the World War are not occurring with the result that incentive to increase production is lacking.

According to Broomhall, hopes of large spring shipments of wheat from Rumania are diminishing, and supplies leaving via the seaboard are mainly for Spain and Italy in fulfillment of old contracts. Overland clearances have been very limited, and Germany is quite concerned about supplies from that source for next season. The area under cultivation for winter wheat has been reduced by 20 per cent. The same source advises that Hungary may have supplies only sufficient to take care of home requirements for the coming crop year.

The Argentine market has firmed up considerably, and the statistical position of the Plate wheat is becoming more bullish. This week's shipments are expected to total 3,700,000 bu, and Broomhall estimates that there is approximately only 62 million bu remaining, of which Brazil will need upward of 25 million bu, leaving only about 40 million bu for Europe for the next nine months.

Canada remains the one country with large surpluses, but her position is gradually becoming healthier, and much will depend upon results of the 1940 crop.

On the whole, our Southwest still remains unrelieved from present lack of rain. There has been a little moisture in Texas, but indications are that it will not work up into Kansas. The official forecast is for moderating temperatures for Saturday, with increasing cloudiness and warmer Sunday. The Weekly Weather and Crop Bulletin issued by the Department of Agriculture, while not going into detail, shows that the northwestern, north central, and extending into the central part of Kansas, received normal moisture during the month of March, while the balance of Kansas and Oklahoma, and the Texas Panhandle were considerably under normal, ranging from only 10 to 50%. The latter is also true in a large portion of the soft winter wheat States. Due to the lack of subsoil moisture last fall frequent periods of precipitation are necessary for further development of the plant, and unless additional quantities are received in the near future greater apprehension will undoubtedly be expressed in the market. In the meantime the larger section of the four spring wheat States have been more fortunate, and precipitation for March ran from normal up to 200%. The same holds true in the Pacific Northwest.

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Primary receipts today were 920,000 bu versus 1,077,000 bu last week; there are no figures available for a year ago, owing to a holiday. Kansas City, Duluth and Minneapolis stocks so far this week show a total increase of 1,124,000 bu, no doubt reflecting the movement of loan wheat. These figures suggest very little change in the visible supply on Monday, against a decrease last year of 1,765,000 bu.

Sentiment is being helped somewhat by the much better feeling developing in the stock market, apparently some have taken a more constructive view owing to the outcome of the Wisconsin primaries a few days ago. However, there is another factor which should not be overlooked: the gold imports into the United States for the week ended March 27th totaled somewhat over $231 million, and werethe largest weekly receipts since 1934. A great deal of this gold is being earmarked and undoubtedly will eventually be used for further purchases of war materials in this country. These future expenditures of Europe will probably prove a sustaining factor in our business structure.

The trade is becoming more impressed with the continuation of unfavorable weather in the Southwest, and a more active interest was expressed in the market; many of the locals were also good buyers. No doubt a friendlier feeling is warranted until there are some climatic changes. At the close May wheat showed an advance of 5/8¢ per bu, the July 7/8¢.

Other cereals also benefited by the strength in wheat, and more activity was noted. Rye had good support, with the absence of any particular selling pressure during most of the session.

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CHICAGO April 8, 1940

The world's production of gold continues to expand. The output for 1939 was at a new high, exceeding 39 million ounces; this was an increase of about 2 million ounces over the previous year, while in 1929 the output was only 19 1/2 million ounces; so over the decade the production had just about doubled. Actually, with our devalued dollar, the currency worth of this gold has risen by 238 per cent. At the present time, the U. S. has more gold than all of the other countries together, and a great many people figure that sooner or later this is bound to have inflationary effects. Others are bullish on commodities because of the war, but both inflation and war fail to stimulate all commodities in the same proportion. We have pointed out often that in 1914, coffee did not rise in price because it was overproduced.

We find that since the outbreak of the present war, there are three articles which are actually lower than they were on September 1st, 1939. We are referring now to rubber, sugar, and hogs. When hostilities started, a good many traders became bullish on sugar because of the action of this commodity 25 years ago; the farmer also figured that his hogs would advance, while actually they have declined about 20 per cent. Of course, advances may come later, insofar as the hog market is concerned. In July 1914, hogs sold at $9.30, and were considerably lower the following year, but as the demand for lard and hog products increased prices gradually rose to the $20.00 level.

We have our own thoughts as to how much of the wheat advance has been due to the war itself. Of course, a certain psychology has been built up, but the prime factor was the poor prospect for the coming crop. Instead of a normal winter wheat yield of about 600 million bu, the government last December forecast a crop of only 400 million bu, and even with the moisture that occurred since Christmas time, the private experts last week predicted on an average only 428 million bu. There has been very fine moisture over the week-end, following the Friday night rains, and this was not only confined to the Southwestern districts, but extended to the Central States as well. Moisture reports showed as much as one inch of rain around Wichita, and somewhat less at Hutchinson and Salina, becoming lighter in the western part of Kansas, but certain points in Oklahoma were also benefited. It remains a question now as to how much good this moisture will do coming at a late date. In any event, there had been so many complaints of dust storms and high winds that at least the deterioration has been stopped. There was light precipitation also in the Northwest, and this is becoming more important just prior to seeding. Therefore, it was not surprising that enthusiasm on the bull side seemed to be temporarily checked.

There are still large surpluses in Canada and in Australia. The latter country is having some difficulty in marketing its grain because of the long haul to Europe, and even under the convoy system, Britain is buying rather sparingly. The Australian Wheat Board has appointed a Selling Committee to exploit markets in the Far East, and wheat is being offered in North China at present, which would require a subsidy of more than 35¢ per bu on United States wheat in order to compete with these Australian offers. This is rather important owing to the fact that we have a burdensome surplus on the Pacific coast; and because of the wider spread between eastern and Pacific northwest markets, it was again possible to sell both wheat and flour for rail shipment to midwestern points, and good sales were said to have been made during the past few days.

When the visible supply was posted, it showed an increase of 382,000 bu, which is rather unusual for this time of year. Total stocks in all positions are about 96 million bu, or roughly, 22 million greater than a year ago. Primary movement was of fair proportions, amounting to 1,096,000 bu versus 1,318,000 bu last week, and only 832,000 bu last year. Chicago stocks showed a decrease of 96,000 bu, and at the present time, there are 4 1/4 million bu locally held.

There was no particular trend to the market; small liquidating orders came into the pit early, but apparently offsetting this was commission house buying by those who may have felt that the recent break had gone far enough. At the last May wheat was unchanged, while the July future was 1/8¢ lower.

Corn was indifferent, and there seems to be no interest in this cereal. Receipts are rather small at terminals, but yet, the visible supply does not go down much, and present stocks are pretty fair, while the amounts of impounded corn left in the country are tremendous.

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CHICAGO April 9, 1940.

Fresh European developments were the paramount issue this morning affecting the wheat market. Following yesterday's action, when Britain had laid mines off the coast of Norway, Germany took the next step, marching troops into Denmark, and shortly afterwards Norway declared a state of war with Germany. Goebbels in a broadcast, claimed that Britain had planned to invade Scandinavia within the next few days, and this apparently was Germany's excuse for invading Norway and Denmark, claiming that it was taking both of those countries under its protection because of the allied attacks on their neutrality. While Denmark found it impossible to resist, Norway was attempting to repulse the German landing of troops at several points, and furthermore, Chamberlain denied German charges that the allies had intended to occupy Scandinavian territory, describing the German action as a rash and cruel act of aggression, which would finally redound to Germany's disadvantage. British and French governments announced that they had assured Norway of their decision to extend full aid and that they were accordingly taking the necessary naval and military steps.

Most of this news, coming before the opening, had a very marked influence upon wheat prices, and with Allied-German naval engagements in progress at various points along the Norwegian coast, traders felt that hostilities were bound to spread. Therefore, it was not at all surprising that heavy buying orders should have been in the wheat pit when the opening gong sounded. Other cereals were up in sympathy with wheat, particularly as first transactions in the stock market were higher, especially steel and aviation securities. Apparently, a good number of traders had gone short the market recently because of the improved moisture situation in the Southwest and through the Central States, and the covering of these commitments, together with further investment purchases, found the market rather bare of offerings until the price level had advanced 4 1/2 to 5¢ a bu. Later on selling orders were more pronounced, and profit taking set in, with the result that there were recessions from the early highs. July wheat at one time near the opening sold at a new high price on this crop, but lost some ground as compared with September wheat, indications pointing to the possibility of carrying charges developing.

There was a very large export business in Manitobas, sales to the United Kingdom and to the Continent overnight being reported at around 8 million bu. However, the Canadian government must have furnished futures to the exporters who had conducted this business, because Winnipeg prices were never up nearly in proportion to the advance in Chicago.

Routine grain news was more or less ignored; nobody seemed interested in overnight weather, although actually there had been no important rains, nor are indications particularly favorable for moisture in the immediate future. There were very few crop reports from the Southwest since the last moisture occurred, but on the other hand there have not been any crop scares such as we had a week ago when high winds, dust storms, etc. were raging. We continue to feel that for the next few days at least European political developments will have the center of focus.

Primary receipts today were quite large at 961,000 bu versus 1,077,000 bu last week, and only 577,000 bu last year. The milling demand from the Northwest was reported to be better, and no doubt bakers, heeding the same news as speculators, took care of some of their future requirements. So far this week, Kansas City and Minneapolis stocks show a net increase of 129,000 bu. This apparently is the result of some of the loan wheat being redeemed, although pressure from that source was unimportant, and farmers were not reported today as being liberal sellers.

At the last May wheat showed an advance of 3 1/2¢ per bu, and the July delivery was 4 1/8¢ per bu higher. The open interest has been increasing, and is near the 100 million bu mark, which is the largest in over a year.

Corn, as well as other cereals, was helped by the war psychology and while trade was not nearly as large as in wheat, there were some signs of improvement.

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CHICAGO April 10, 1940.

From the tenor of newspaper and radio reports Germany had gained strategic advantage in Norway by seizing several important ports, but the inability to separate rumors from facts, and propaganda from news makes it rather difficult to analyze all of the various war developments accurately. During the session it was claimed by England that one German destroyer had been sunk, and three were left burning; also that 6 Nazi troops or freight ships had been sent to the bottom, while a German ammunition ship had been blown up. There is no doubt but that Norwegian troops are organizing, despite some reports to the contrary, particularly as England and France have promised aid, and as a matter of fact the allies are rushing relief to those areas. At the present time another sea battle is raging off the coast of Norway, and several British warplanes are said to be attacking German airships in Bergen Harbor off Norway's western coast. Meanwhile, the allies will have much explaining to do, particularly as to the failure of their fleet to keep the Germans out of Norway, but for the time being they claim that they are attempting first to bottle up and then to destroy every German warship on the Norwegian coast, hoping in this manner that no German ship will escape; they claim that loss of such German warships would mean annihilation or surrender of German landing parties.

Apparently the European political news had most of its effect marketwise during yesterday's session; there was not the short covering this morning, probably for the reason that this had been accomplished previously. On the other hand, the milling demand was very much better, and houses which generally act for large mills were active on the buying side this morning. So there was fair support from these quarters. Fortunately this occurred, as there had been some unexpected moisture overnight, and rains extended into Kansas, although not particularly heavy except around Independence, where nearly 1/2 inch fell. There was, however, more rain reported in Oklahoma, and indications are for some light showers in parts of the Southwest tonight, all of which tempered bullish enthusiasm. The various weekly weather and crop reports were quite pessimistic on the whole, with the exception of Texas, where it was claimed rainfall was adequate in all sections except in the extreme south and extreme west, and that winter wheat had been greatly benefited and materially improved. Elsewhere, more or less pessimism prevailed, and in Oklahoma the winter wheat deteriorated, despite recent moisture. The Kansas condition was about unchanged with more rains needed generally.

The trade is now awaiting the government report which will be issued later in the day, and with uncertainties as to what will be revealed at that time, plus political developments, there was some hesitancy, and trade was on a much smaller scale than yesterday.

Primary receipts were a little smaller at 706,000 bu compared with 852,000 bu last week and 474,000 bu last year. There was an increase in the Minneapolis and Kansas City stocks totaling 250,000 bu. Therefore, the visible supply next Monday will probably not decrease much, and in fact, there might even be a slight gain as the Northwest reports a little heavier release of loan wheat. We believe that when the volume figures on trade are given out tomorrow they will show a large reduction from yesterday's trade in the wheat pit, which approximated 60 million bu.

At the last May wheat showed a decline of 1¢ a bu, while July was 7/8¢ lower.

Corn displayed independent strength; the primary movement was extremely small at only 280,000 bu. With navigation opening, the movement from this market is expected to increase, and with Britain unable to trade with Denmark, it might also mean heavier purchases of hog products from this country, which, it is believed, would stimulate feeding. Buying was somewhat local in character, although commission houses also had additional orders.

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CHICAGO MERCANTILE EX.

CHICAGO April 11, 1940.

Winston Churchill, First Lord of the Admiralty, told the House of Commons today that the German invasion of Denmark and Norway was the result of long and elaborate preparations by the Nazis. He admitted that the Norwegian ports, claimed to have been recaptured by the British, are not at the present time reoccupied. It was in the small hours of Monday morning that England learned that Denmark and Norway had drawn the unlucky numbers in this sinister lottery, and added that the Nazis have an obvious preference for striking at weak, rather than strong, countries. He promised that all of the German ships in the Skagerrak and Kattegat, where a big naval battle is in progress, will be sunk. He claimed that the allies had greatly gained by what occurred in Scandinavia and Northern waters through strategy and military power. He also said that Hitler had made a terrible blunder, much the same as Napoleon did when he invaded Spain. The actual number of ships sunk cannot be determined until a later date, because there is a discrepancy in the reports issued by the allies and by Germany. However, it is known that Norway's northern forces are cooperating fully with Britain, and from Amsterdam it was learned that the British ships had forced German convoys to disperse. Despite German denials, the battle is claimed to be the fiercest since the beginning of the war, and was fought by moonlight, with reports that Germany had lost four cruisers and numerous transport vessels carrying troops to Norway. Witnesses along the Swedish coast reported hundreds of Germans struggling in the water after the sinking of these ships; in fact, some of the German transports were reported seeking refuge in Swedish territorial waters; therefore, there is every reason to believe that hostilities are spreading rapidly.

While the trade generally was somewhat bullish because of war developments, there was little in routine grain news to give encouragement. The government report issued late yesterday indicated a crop of 426 million bu, which is slightly less than the average given by the experts. The combined yield of Texas, Oklahoma, Kansas, and Nebraska was given as 126 million bu, which in normal times would be less than the Kansas crop alone; therefore, it must be assumed that when the abandonment figure is given out in May it will be very large --possibly 30 to 35 per cent,-- but on the remaining acreage there islikely to be improvement, particularly as recent weather has been more favorable and more rains fell through Southwest districts than had been expected.

Wheat shipments from Argentina continue surprisingly heavy, being estimated at 4 1/4 million bu this week, or slightly more than the previous week. Very little of this seems destined for non-Europe, and if clearances continue at this rate, it will not be long before the Argentine surplus is disposed of. Private observers in that country consider the official wheat estimate of 118 million bu as being too small, and figure that the third estimate on May 21st will show an increase. On the present basis, estimates of remaining supplies by various authorities range anywhere from 40 to as high as 94 million bu, including 11 million bu of wheat which is too light in test weight for export. This leaves Canada in the key position to do the business during the next six months, and there is no doubt that she will be able to furnish the grain, as indicated by the fact that the visible supply, not including grain in farmers' hands, is 311 million bu, or 172 million bu more than the previous season. There are still no export figures being released from Australia, although Broomhall reported recently that several American steamers had loaded Australian wheat for shipment to United States Atlantic ports, namely, Philadelphia and New York, from where the grain will be reshipped overseas. While the Australian government is advising growers to curtail their acreage next season because of the large available supplies, Britain contends that the Empire should grow as much wheat as is reasonably possible, in order to guard against any crop failure in 1941.

(OVER)

It is difficult to get accurate crop news from Europe, but the Balkan countries are apparently feeling the effects of the cold winter, and Rumania admits that the winter wheat crop is not in good shape and that growers are being called upon to sow at least 22 1/2 million acres to spring grain. While manpower generally is sufficient for farm work, the lateness of the spring seeding is mentioned in most reports from the continent, and great efforts are being made to accelerate the work.

Primary receipts were fairly moderate at 896,000 bu versus 747,000 bu last week, and 599,000 bu last year. Kansas City and Minneapolis stocks so far this week show an increase of 411,000 bu. In the Northwest, a fair amount of loan wheat is apparently coming out, and time is drawing short until the end of April when farmers must repay their obligations. However, hedging pressure was not important, neither was the moisture a damper upon the market. Trade apparently is broadening, and the open interest yesterday increased by nearly 2 million bu, to over the 100 million bushel mark.

At the last May wheat was 1/2¢ per bu higher, while the July was up 1/4¢ per bu.

The primary movement in corn was again small at only 281,000 bu, despite the government report showing tremendous reserves back on farms. There was a little better sentiment, and buying orders predominated, with the result that this cereal made further headway on the upside.

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CHICAGO MERCANTILE EX.

CHICAGO April 12, 1940.

Western Europe was tense this morning because of reports that Hitler might order an offensive at any time against the French Maginot Line, staking everything on an attempt to smash allied defenses. Furthermore, Mussolini was expected to call more than a million men to the colors because of the possibility that during the spring months war might spread all over Europe. There were various rumors from Sweden and Holland, but the only reliable information was that both of these countries had asserted that they would defend their integrity by force, if called upon to do so. As far as actual sea battles were concerned between Germany and the Allies, reports are so conflicting that it is difficult to come to any definite conclusions.

The Paris Bourse was nervous, faced with the potential extension of military activity, and it was generally considered that wheat prices here would open somewhat higher because of tense European developments; this proved to be correct. However, trade was smaller than recently, and there was also profit taking from time to time, so that there were many periods when the market was lower than yesterday's close.

Actual grain news did not account for much. A few rains had occurred in western Kansas; also, through the Central States, but temperatures were very low for the season of the year. On the other hand, probably not much damage resulted in view of the fact that plant development is late, and we do not get reports that much wheat has jointed. Individual summaries on crops from the Southwest were pessimistic, but this is bound to occur when the government only estimated 59 million bu for the entire State of Kansas; therefore, reliable people do not think conditions will become much worse-- in fact, there is probably room for improvement with any kind of favorable weather conditions from this time onward. The Oklahoma crop, on basis of present condition and abandonment, is estimated at 25 1/2 million bu compared with last year's production of over 60 million bu, and a ten-year average of 46 million bu. This would indicate one of the smallest wheat crops that has been grown since the expansion of wheat acreage in about 1914. The State report claims that rains over most of the State since April 1st have helped the prospects in many areas, but the results of these rains are not reflected in the first of the month report.

We are not getting very encouraging crop news from Europe, and apparently, the severity of the winter has cut a heavy toll, with the result that the Rumanian government is going to furnish seed where needed, and the Minister of Agriculture recently stated that approximately 24 1/2 million acres in that country would have to be tilled and sown during April and May. There is, however, no indication as to what percentage will be devoted to wheat.

Argentine shipments this week were extremely heavy at 4 1/4 million bu, which was actually more than a year ago when a big crop had been raised. Broomhall estimates the exportable surplus at 57 million bu, compared with 206 million bu a year ago, and as we mentioned in our letter yesterday, it is not considered likely that pressure from that country will be important for the balance of the season. There was no important European demand overnight, and only a small Manitoba business to the Continent was reported this morning.

Primary receipts were quite substantial at 936,000 bu versus 920,000 bu last week, and 624,000 bu last year. Kansas City, Duluth, and Minneapolis stocks so far this week show a total increase of 1,262,000 bu, every point showing an increase. Therefore, it is not likely that there will be a heavy decrease in the visible supply on Monday, if at all; a year ago the shrinkage was 1,613,000 bu.

There was no trend to the market today; in fact, general inactivity ruled after a rather healthy opening. At the last May wheat, which gained somewhat on the other months, closed unchanged, while the July delivery was 1/4¢ lower.

Corn lost a little ground today; the primary movement was slightly larger, but bookings from the country were light. In the corn states large amounts are left on farms; in Iowa it is claimed that 80% of the 1939 crop has not been moved, and this is a record high level.

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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO April 15, 1940.

European political developments over the week-end were somewhat difficult to gauge. The British reported sinking seven German vessels at Narvik, and experts regard British penetration of the Skagerrak as one of the most daring enterprises in naval history. We are told that even our government at Washington has inadequate advices from Europe, and in fact, they are depending upon radio and press for their information.

It is generally believed now that the war will gradually spread, and whenever it reaches tremendous proportions, it naturally means extravagant use of material. This may mean that the allies will rely more and more upon America for supplies, and this would refer not solely to planes, but also for goods of all sorts, including foods. The chances are that the cutting off of Danish supplies to England may increase the demand from this country for fats,meats and fruits to England. Furthermore, the allies will want to ship by the shortest haul, and obviously, it is easier to protect commerce between America and Britain than by other routes. Later on, it may be possible to send airplanes via Canada on their own power, when summer weather sets in, and this, of course, would release shipping space for other goods, as planes even when well packed consume tremendous space on ocean freighters.

It was rather surprising that even with the somewhat unfriendly attitude of Italy toward the allies, there was not better buying support early this morning. Trade was quite dull, and crop reports from the Southwest generally reported heavy abandonment, and were rather pessimistic in character; also temperatures had risen although cooler weather is expected. Therefore, new buying appeared to be on a smaller scale.

As far as statistics are concerned, there has not been a very great change in the last few weeks. Since July 1st, the United States has placed less than 40 million bu of wheat and flour afloat, and at that rate we could still supply 175 million bu until the next crop is harvested, provided we would let our reserves run down, bu on basis of present price parity, there is not much opportunity for a large business during the coming months. Canada, starting her year August 1st, has shipped 132 million bu of wheat and flour, and this is not too good a record, being only 21 million bu larger than the previous season. At the present time, there is still a balance for export and carryover of 331 million bu, an increase of about 180 million bu over 1939. However, with Australia having shipping difficulties and the surplus in Argentina rather small, at least in comparison with other years, we figure that Canada will improve her status as time goes on.

Heavy snowfalls were experienced in Western Canada last week, after a winter of well below average precipitation. The benefits from this snow are difficult to gauge, as some claim that the ground was frozen and could, therefore, only absorb limited quantities of moisture. It is known, however, that Alberta is starting the new season with the best prospects. Fall moisture exceeded the normal by 24% on the average, but conditions in Manitoba and Saskatchewan are not nearly so satisfactory. Manitoba, which has the smallest acreage, entered the winter with the lowest average of moisture before the freeze-up, while Saskatchewan had poorer fall precipitation than normal in practically every area, and the soil was unable to build up reserves. However, there seems to be sufficient surface moisture for early development of the crops.

(O V E R)

When the visible supply was posted today it showed an increase of 701,000 bu; the total in all positions is 96,688,000 bu, or nearly 25 million bu more than a year ago. Primary receipts were 1,300,000 bu, which is quite large, as a fair amount of loan wheat is coming out now. This compares with 1,096,000 bu last week and 785,000 bu last year. Chicago stocks showed just a minor decrease for the week, with 4 1/4 million bu still here in elevators and afloat.

The CCC announced that as of April 4th there was still 97 million bu of wheat under loan of which about 72 million bu consisted of warehouse storage. During the past two weeks a rather large quantity has been redeemed, and the balance, as we understand it, will have to be settled up by the end of the month. However, this is not hurting the market as recent demand has broadened, and the open interest at the close of business Saturday was in excess of 103 million bu, or the largest in over a year.

After mid-session prices started gradually higher; there was also removal of hedges by various mills, and at the last May wheat was 3/4¢ per bu higher than on Saturday, while the July future advanced 7/8¢ per bu.

Corn was independently strong right from the start, bookings from the country were light, and while the primary movement was somewhat bigger, there did not seem to be much pressure upon the market.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO April 16, 1940.

The French Premier, Paul Reynaud, told the Senate today that Germany had lost almost one-third of her navy in the past week of fighting in Scandinavian waters. It still remains extremely difficult to gather specific data on the actual maneuvers taking place, although a considerable naval battle occurred yesterday north of Skagen, and is believed still proceeding in the Skagerrak. Each side is claiming victories, but it is certain that the allies are bending all efforts toward counter-attacking Germany in Scandinavia as the result of German occupation of several important centers. Other countries are very much concerned, and we understand that all lighthouses in Sweden were darkened last night, that country taking all precautions at its command for any eventuality, and harbors on the South and on the West are now understood to be closed to foreign shipping. Belgium reaffirmed her neutrality, but protective measures are being taken, and it is not likely that any of the present neutrals will permit a recurrence of the treasonous acts, such as occurred at Oslo, if they can help it.

With such tenseness in various European countries, it was not surprising that wheat prices continued on the upgrade. Possibly influenced by the fact that Rumania had barred exports of wheat from that country, England sought other markets, and as a result, there was a very large Manitoba business overnight to the U.K., estimated anywhere from 5 to 15 million bu. Rumania took the stand that because of poor crop prospects, she did not want to make further shipments until her own reserves could be determined, although in some quarters it was thought that this was a blow aimed at Germany, particularly as oil shipments may also be restricted; but naturally with war so near her borders, she is anxious to protect her own interest first.

Canadian markets did not respond as much as we did to the overnight sales, and this has been the case in most of the large deals which have been made recently to the mother country. As we understand it, the Canadian government furnishes the futures to the Canadian exporters who conduct this business, and, therefore, there is no necessity of going into the pit and trying to buy the hedges under the old competitive scheme of doing business.

There were various forecasts, both official and by map readers, for general moisture in the Southwest, but this was not regarded as very important since the crop has not responded much to improved weather conditions, and many believe that while moisture may now prevent further deterioration it may fail to give us greatly improved prospects. Some sections of the Southwest claim an improvement, but on the whole, it is not easy to get very optimistic reports, and with the condition as low as the government made it in its last report, this is not at all surprising.

Considerable loan wheat is being redeemed, and the time is drawing short now until farmers will have to meet their federal obligations.

Primary movement today was very large at 1,118,000 bu, and the chances are that this will be the case until the end of the month. Last week primary receipts were 961,000 bu, and a year ago they were only 577,000 bu. Kansas City and Minneapolis stocks so far this week show a total increase of 192,000 bu.

The market went into new high ground early in the session, and sentiment has become very bullish. Yesterday the open interest increased 2 million bu, and apparently the public is coming into the market on a larger scale. Late in the session, however, there was some reaction. There had been an unconfirmed rumor that Germany invaded Rumania, and this was given as the reason for great weakness in stocks; therefore, profit taking in wheat followed, but at the close May wheat still showed an advance of 1 1/2¢ a bu over the previous close, while the July delivery was 1 3/8¢ per bu higher.

Corn was very strong; movement from the country is not large and the government's loan policy is responsible for an artificial situation, with tremendous quantities held back in the country.

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CHICAGO MERCANTILE EX.

CHICAGO April 17, 1940

European war developments had less effect upon the market than recently. The smaller countries are apprehensive after what occurred in Oslo a few days ago, and in some places, Nazi sympathizers were being deported, while elsewhere nationwide investigations of resident German groups and individuals were being launched to prevent disorders within their own borders. Mussolini was scheduled to make a speech next Saturday, but this has been postponed until later in the month, and possibly Italy wants to await further developments before going on record as being sympathetic to German moves. The chances are that Mussolini will not join Hitler in any sort of military venture before full facts are established. The Italian policy has always been (and presumably remains the same), to await developments, and after the tide of battle is relatively certain, to then join up for a division of the spoils. While today's events are probably somewhat in favor of Germany, the tide is not certain, and until Italy believes that she can pick a winner, she will probably be extremely careful before taking any new chances that might involve her people in the war.

Ever since activities increased in Scandinavia there has been a better flour demand and this was reflected in figures published today by the NORTHWESTERN MILLER, indicating that bookings in the spring wheat territory were 154% of capacity the past week, compared with only 66% a week earlier and 110% for the corresponding period in 1939. In the Southwest hard winter mills also had better business on the strength of war news and reported 56% of capacity versus 25% a week earlier, and 63% a year ago. This was rather fortunate, because loan wheat, particularly in the spring wheat districts, has been coming out more freely, but flour buying absorbed some of the new hedges, and therefore, the market was able to advance with farmers redeeming a considerable portion of their locked-up supplies. The same condition prevailed this morning, Minneapolis claiming that there were rather large blocks of loan wheat for sale, but flour business also showed improvement over recent sessions, and therefore, added pressure upon the market was relatively unimportant.

The overnight moisture was better than had been expected, with Wichita receiving nearly three inches of rain, and precipitation was about as heavy all through the Chanute territory. There was as much as 1 1/4 inches at both Hutchinson and Kansas City, and the precipitation extended into Nebraska and South Dakota, becoming lighter in western sections of Kansas. Apparently, because of the drought situation last fall, the crop is not responding readily to the improved weather, and the weekly crop summaries from the various Southwestern states were not at all optimistic. For instance, in Oklahoma, the winter wheat is said to be poor to only fairly good, while in Kansas the slow growth was generally noted, and nobody is raising estimates much above those of the government that were issued a week or so ago. It seems rather peculiar that in the Northwest the eight-month period prior to seeding should not bear more importance to final yields, but we are told today that both in 1935 and in 1937 the pre-season precipitation was very light, and yet, the crop growth that followed was satisfactory. Therefore, it must be concluded that intermittent rains later on will undoubtedly determine final results, although it is always well to have early moisture in order to properly germinate the seed, and this, we believe, is the case at the present time in a good many sections, although present temperatures are somewhat below normal. However, even if the planting starts a week late, no great harm may result.

Following yesterday's large export business, the demand for North American grains became quiet overnight and this has been the history of conditions recently when England bought spasmodically, although purchases were large whenever they were made.

Primary receipts were slightly smaller today at 972,000 bu, compared with 706,000 bu last week and 527,000 bu last year. Kansas City and Minneapolis stocks show an increase so far this week of 349,000 bu.

Market at no time was very weak, despite overnight moisture and forecasts for more to come; in fact, there was a fairly good undertone and at the last May wheat showed a decline of 3/8¢ a bu from the previous session, while the July delivery was down the same.

Corn was independently strong but trade was only moderate. Bookings are light and there does not seem to be much new pressure upon the market.

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CHICAGO MERCANTILE EX.

April 18,1940

It is not easy to gain accurate knowledge of what is occurring in Scandinavia. Effective land operations on part of the British seem to depend largely upon naval successes. At the present time the fight for supremacy between warships and airplanes continues and everything is extremely unsettled. However, the advantage seems temporarily to be with Germany owing to the present nearness of her air bases. The allies, however, seem to be almost in complete occupation of Narvik, which is of great importance, and may surpass the German occupation of Norway in the South because of Swedish ore. Should Sweden consent, England could possibly occupy the ore fields and prevent any shipments whatsoever to Germany, which, of course, would be a terrific loss to the latter country, and might mean a defeat in a long war. Meanwhile, Britain is somewhat concerned over the situation in the Balkans, and economic relations in those countries are brought into somewhat closer relationship with the hope that this will preserve peace and promote security in Southeastern Europe.

Overnight temperatures in our Southwest were not as low as had been looked for, and more rains had occurred, but news of that character was practically ignored, as the trade was paying more attention again to European political developments. War is always an inflationary influence, particularly when there is a good deal of activity. However, various controls have been set up both here and abroad, and many economists do not believe that inflation will get out of hand, although strengthening prices are likely if allied buying in this country increases.

Our market started off with a very firm undertone, and with new pressure exceedingly light, purchases could only be made at advancing prices.

Looking at the world's statistical picture, we see no great change during the last few months. Argentina continues to ship rather heavily, considering that their surplus is no longer burdensome; even assuming that about 55 million bu is still available for export, some will be necessary for Brazil, and therefore, Europe can only obtain relatively small supplies. In Australia, total sales on this crop are reported at 92 million bu in the form of wheat and flour, but probably a fairly large percentage remains to be cleared, as the shortage of shipping space is becoming a serious problem for the Australian Wheat Board. This leaves Canada as the main country to supply European needs. Broomhall figures that the Dominion will have a record carryover on August 1, 1940. He claims that on this present crop not more than 230 million bu will have been shipped, and that reserve stocks may be about 241 million bu, which would compare with last year's carryover of 102 million bu, and the previous record of 209 million bu in 1933. He then goes on to say that even allowing for a substantially reduced acreage this year, which is a possibility because of the known moisture deficiency, the Dominion in 1940-41 should have all the grain necessary to maintain her present dominating position in the European market. Our own situation will not hinge entirely upon international wheat prices, nor world conditions, owing to the fact that the outlook for the winter wheat crop is considerably below normal.

This also is giving local traders some encouragement, but, of course, with depreciated currency in other parts of the world, we are also somewhat influenced, at least for psychological reasons, if we get too far out of line with competition, provided we get near a point where imports appear likely. The possibility of imports has occurred several times in the last three or four months, although it is not a factor at the present writing.

(OVER)

There is still some wheat being shipped from our Pacific Coast to Russia, but on the whole the volume of this business is not overly important. The Rumanian government, while acknowledging the poor outlook for the winter wheat crop, is still anxious to seed as large a spring wheat crop as is possible, but winter in Europe still lingers, field work is somewhat backward, and there may yet be difficulties in getting the land properly plowed for the spring campaign. This is also the general experience in other European countries, and at the present time it is not easy to gather information as to crop progress due to war conditions. Under no circumstances can present prospects be compared with those of a year ago.

Primary receipts today were heavier at 1,114,000 bu versus 896,000 bu last week, and 623,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 494,000 bu.

With sentiment very bullish wheat futures went into new high ground on the crop. The open interest seems to be increasing right along, jumping by 2 1/4 million bu yesterday, showing greater outside participation in this market. The advances were steady right through the session, some stop-loss orders being uncovered, and at the last May wheat showed a gain of 2 1/8¢ a bu, with the July delivery up 2¢.

Corn was strong right from the start and interest in this cereal has been growing because of more activity. Primary movement was a little larger but is still not big, considering the price advance, and bookings from the country are just moderate. Under the circumstances, no heavy accumulations can take place.

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CHICAGO MERCANTILE EX.

CHICAGO April 19, 1940.

There was slight easing of tension in European capitals after a brief period of anxiety yesterday when it was claimed that Germany and Italy had strengthened military alliances. This morning reports from Paris were somewhat more reassuring that there would be no hostile acts on part of Italy, at least, not in the immediate future, with respect to the Balkan war scare, and foreign stock markets showed some recovery, although general activity is still quite restricted. Everyone is cautious, particularly as the neutral nations are in the anxious seat, and many of them are quite alarmed because of the trouble they figure might start from the inside, and all possible precautions are still being taken against national minorities. There was no particular news from Scandinavia, although sometimes when listening to the German broadcasts one would imagine that the British navy had been reduced to nearly the size of the Swiss navy. Meanwhile, British and German troops were clashing at various points, but the outcome is not known at this time.

Attention yesterday was directed almost entirely to European events. Some improvement in crop conditions due to favorable weather since the first of the month was almost entirely ignored, but public participation in the market increased, and the open interest went up two million bu yesterday, with all open contracts at about 111 million bu. There are very few shorts in the market, to the best of our knowledge, except hedgers, and apparently as loan wheat was put back into regular trade channels, new buyers were easily found to carry the added load. Therefore, it was not surprising that with weakness in the stock market, selling of long lines of wheat brought about a reaction after several days of advances.

It is still difficult to give accurate information on European crop news, and it is impossible to even estimate with any degree of accuracy world shipments since August 1, 1939, inasmuch as war restrictions prevent the normal publication of data. One thing iscertain, however, and that is, the world carryover at the end of the season will be the largest on record; therefore, even with shorter crops in this country next season, and likelihood of a reduction in Canada, as compared with 1939, no real shortage is in sight anywhere. Last year Canada raised close to 1/2 billion bu of wheat, but bumper crops are just as exceptional as crop failures; therefore, it is interesting to note the resume of a well informed elevator company at Winnipeg wherein it is claimed that in Alberta the land is in excellent condition and moisture is better than last year in all parts of the Province. In Manitoba, they claim, moisture conditions on the whole are not as good as last year. Saskatchewan, which has the largest acreage, has as good, or better,moisture conditions as last year in the southern part of the Province, especially in the Southwest. In Central and Northern Saskatchewan, while there is sufficient moisture to start growth, early rains will be required. Moisture conditions, they claim, are about the same, or poorer than at this time last year, but there has been some improvement this week due to scattered snowfalls in all districts. We shall try to keep the trade posted on further developments as the news comes to us.

Possibly one of the reasons also for some of the selling today was a report by a reliable mill that No. 3 Northern Manitoba wheat at Buffalo was offered at only 7¢ a bu over an import basis, despite the 42¢ a bu tariff, and this reminded some traders that during recent sessions we had advanced more rapidly than Winnipeg, and thus were in a more vulnerable position on foreign grain, although of course, 7¢ is still a considerable handicap to Canada in selling grain to this country.

Primary receipts were heavy for the time of the year, at 1,221,000 bu versus 936,000 bu last week, and 636,000 last year. So far this week Kansas City, Duluth and Minneapolis stocks show a total increase of 1,418,000 bu. There is the possibility that the visible supply on Monday will show a small increase; last year it diminished by 2 million bu.

Markets were subjected to profit taking, but it was orderly. At the last May wheat showed a decline of 1¢ per bu, with the July delivery down 1 1/8¢.

Corn at times was very strong, movement from the country is light, but there was enough selling on the advance to bring about sharp reactions.

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CHICAGO MERCANTILE EX.

April 22, 1940.

European news continued of the same tenor over the week-end. In Scandinavia, it was reported that British and German troops were engaged in a battle north of Trondheim. While the Germans are bringing in reinforcements by air, Britain has the advantage of her sea power, and has also claimed to have brought some tanks that will shortly be used in an offensive.

The grain market paid very little attention to European political news except in a general way, and many traders still look for more extensive fighting on various fronts as time goes on.

Cromwell, one of the crop experts, was somewhat pessimistic in his crop review this morning, claiming that he would have to cut estimates previously made; and on the whole, it was not very easy to get optimistic reports from the Southwest, despite the fact that some rains are falling in parts of Kansas this morning, and most observers still claim that the damage has already been done. However, the Department of Agriculture lent a little encouragement, claiming that some improvement in conditions occurred in Oklahoma and in eastern Kansas, and moisture was sufficient for present needs in most of Nebraska. Rainfall was above normal in Oklahoma, Colorado, South Dakota, Ohio, Indiana, and Illinois, but remained below normal in other wheat producing states. They also claim that accumulated precipitation since September 1st was well below normal throughout the wheat belt, except on the Pacific coast. Speaking of moisture, we would also call attention to the fact that during the first half of April, there has been a certain deficiency in the Northwest, as the following figures will show:

PRECIPITATION IN INCHES

	1939	1940 (aver)	
	Apr.1 to Apr. 16		Normal Month April
Minnesota	.82	.79	2.01
North Dakota	.56	.46	1.43
South Dakota	.72	.31	2.19
Montana	.32	1.03	1.04

As a result of the crop and moisture situation, and also, events in Europe, it was not difficult to find new buyers during the past month. We find that the open interest has increased about 23 million bu during that period, and apparently, a good deal of loan wheat was redeemed which put new hedges into the market, thus giving both sides of the picture. The CCC now claims that, as of April 11th, there was still 86 1/2 million bu of wheat tied up under the loan, of which 63 million bu, or slightly more, consisted of warehouse storage wheat, and we presume that, inasmuch as the farmers have only until the end of the month to pay off their indebtedness, there will be considerable wheat yet to come on the market, although, of course, in individual cases farmers can make private arrangements either for carrying the grain themselves, or else having it financed at country banks.

There was wonderful moisture in the Northwest over the week-end, and rains were also reported in Canada, which will undoubtedly be very beneficial just before seeding operations commence.

Primary receipts were heavy today at 1,775,000 bu, or nearly twice as large as a year ago, but of course loan wheat makes the difference. Likewise when the visible supply was posted it showed an increase of 510,000 bu, and stocks in all positions are slightly more than 97 million bu, or 27 million bu greater than in 1939. Chicago, however, showed a reduction of 182,000 bu, with about 4 million bu of wheat left here. This was responsible in a way for strengthening of the nearby delivery in comparison with the other months.

At the last May wheat was 1/4¢ per bu higher, while the July future declined 1/2¢ per bu.

Corn was strong at times. The visible supply decreased 1 1/2 million bu. Considering the recent advance in the price level, the movement from the country is not large, and apparently farmers will not sell much of their loan corn on the present basis.

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CHICAGO MERCANTILE EX.

CHICAGO April 23, 1940.

There is no keen excitement in European developments, such as we had during previous sessions. The German occupation of Denmark and the invasion of Norway have placed Scandinavian sources of demand in suspense for the time being.

The trade is watching Germany, and of course, further possible violations of neutrality could affect the European import business, as the remaining neutrals are quite important at times inthe amount of wheat they consume; but at the present time one may only conjecture.

In addition to these political developments, the trade is watching winter wheat prospects inthe U. S., and even though there has been fairly good moisture lately, it has failed to bring about the real recovery that one might have expected. At the same time, so many of the experts have made estimates that were low that it may be difficult to have much space for further deterioration, and if the observers do not pull too much of the wheat out of the ground in making their examinations, we might even look for some improvement as undoubtedly a good many acres in eastern and central Kansas got off to a better start than in the far west. The same relationship holds true in other localities. There is, however, a certain degree of pessimism with regard to damage already sustained in Western Europe, where extreme temperatures followed unfavorable autumn seeding conditions. In a way, this is fortunate, because we shall probably have the largest world's carryover on record next August and bumper crops in several countries would be a calamity, as far as price is concerned; therefore, with the picture indicating a closer adjustment between available export supplies and import requirements, it should be heralded with more comfort.

Because of the press of routine business, Mr.Churchill could not speak this morning, but a substitute came before the Royal Society of St. George, urging a war to the death against the whole German people and not merely against the Nazi regime. This also suggests that hostilities will assume broader proportions as time goes on, and since war always means waste, there is still the feeling in many quarters that most commodities should do better if we have a long war.

We doubt whether Russia will be in position to help Germany so very much supplying foodstuffs, asprices in that country are rising sharply and rationing of food is becoming more intense. According to a London report, the price of potatoes has more than doubled since the middle of January, and Russian authorities have decreed that no one may purchase more than 200 grams of butter, 1 kilo of meat, and 2 kilos of potatoes at one time. (one ~~pound~~ Kilo equals 2.2 ~~kilos.~~) LBS

Since everyone is prepared now for very low yields in our winter wheat sections, some attention was paid to reports today that areas that had beenconsidered doubtful a month ago stood a better chance for a light crop, and again we urge the trade that there is a chance for improvement after we get a few weeks of growingweather.

Primary receipts were very large today at 1,597,000 bu versus 1,118,000 bu last week, and 753,000 bu last year. Loan wheat is coming out rather moderately; also it was claimed that charters had been made for four cargoes of wheat from Duluth to Chicago, although we did not get the actual details, and possibly this is destined to mills. Kansas City and Minneapolis stocks so far this week show a net increase of 35,000 bu. Cash wheat here was slightly lower, possibly influenced by the Pacific Coast wheat which is coming to Chicago via Duluth, #2 yellow hard wheat being nominally quoted at 1 to 2¢ over Chicago May.

The weather map showed pretty fair moisture for Illinois, also Kansas, Nebraska, and South Dakota. This will undoubtedly do some good.

At the last, with some liquidation in evidence, May wheat showed a decline of 1/2¢ per bu, and the July delivery was 1/8¢ per bu lower.

Corn was slightly lower, but no particular feature. The primary movement was about the same as a year ago.

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CHICAGO MERCANTILE EX.

April 24, 1940

There were no important developments in Europe, except that some believe Sweden will be Hitler's next victim. In the meantime, all has not been going too smoothly for the Germans in Norway -- at least there have been no "blitzkrieg" activities, and as a result, the totalitarian countries have adopted a more concilistory tone toward the allies. Also, London and Paris have adopted a much firmer policy in dealing with Italy. Actually, Mussolini is hesitating until he can see the trend more clearly.

After our market opened this morning, there were slight recessions, probably based on the forecast for rains in the spring wheat territory; also, the government weekly grain report was more optimistic, reporting that improvement had taken place in parts of the Southwest. In Oklahoma, crops looked better, particularly in the southwest, central and northeast portions, although progress seems to be only fair because of the lack of subsoil moisture. In the eastern two-thirds of Kansas, improvement is definitely noted, while the weekly progress was fairly good in southeastern and western Nebraska, although unfavorable in the central portion, where dryness continued.

In the spring wheat territories, conditions were more favorable than recently for farm work, and seeding seems to be making good headway. It is very peculiar how sometimes nine or ten reports of an optimistic nature have very little market importance, but when bad news is circulated, even though it may come from comparatively unimportant districts, the news travels faster and has more effect. We are referring now to dust storms and high winds which were reported from the western part of Kansas, and we do not pay so much attention to this section of the country, inasmuch as crop prospects at best do not indicate important yields because of the fact that the abandonment will undoubtedly be extremely heavy in this area.

We talked with one of our own men who was in Great Bend, Kansas, and he said that everything looked beautiful all the way from Kansas City to Hutchinson, although from there out west, prospects became poorer. However, there is a lot of wheat coming up in the west, and therefore, nobody can tell yet what the crop will finally do. However, there may be a few surprises on the optimistic side of the picture if we get average or favorable weather from this time on. We also heard from Salina that from that point to McPherson conditions were average, or above, with the exception of a few fields that were badly blown, and the party reporting to us felt that after traveling a considerable distance, he could hardly imagine that Kansas would have a crop as low as 59 million bu, which was the government's last estimate.

In exporting circles, there has been very little demand for North American grains lately. However, Britain has made some rather substantial purchases recently in the Argentine, probably needing this grain, which is of inferior quality to the Canadian, for mixing purposes. This being the case, we do not think that growers in the Argentine will have much worry in disposing of their remaining surplus. The crop, having been the smallest since 1916, was augmented because of the large carryover, but yet, there is probably only 40 to 50 million bu still remaining for overseas shipment, less whatever quantity may be needed in Brazil. This leaves Canada the important exporting nation, but still their reserve stocks on August 1st will probably be the largest in history.

Domestic flour sales were smaller this past week. Mills in the Northwest report an average capacity of 115% compared with 154% the previous week, and 51% the same period last year, while Southwestern mills sold only 41% of capacity versus 53% the week before, and 51% in 1939. This is according to information given out by the NORTHWESTERN MILLER.

Trade on the whole still remains fairly bullish on the theory that even favorable weather will probably not add much to the final crop figures, and should there be adverse weather, there could possibly be a reduction from the government's last estimate. Also, European production has been greatly reduced because of the heavy toll, inasmuch as the severe winter caused heavier than usual abandonment.

Primary receipts today were a little smaller at 992,000 bu, practically the same as last week, when they were 972,000 bu, and this compares with 687,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 307,000 bu.

Towards the last there were some small liquidating orders, but the volume of trade generally was smaller than recently. May wheat showed a decline of 1/4¢ a bu, while the July delivery was down 3/8¢. The open interest is close to 117 million bu, which is the largest in over a year.

Corn was very little changed although the September delivery was a little weaker, some people beginning to feel that 66¢ is a pretty good price, even though the loan price on farms has been established at 57¢, and we rather agree with this line of thought.

Rye was weaker, some hedges apparently coming into the pit. The open interest at 17 1/2 million bu is very large, and there is always the fear that under the circumstances longs may sell, which would be an unsettling factor, unless new buyers could be found.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO April 25, 1940.

There was nothing particularly new in the European situation. Most eyes are focused on Sweden, as Stockholm reports that recruiting will be started shortly for special defense organizations. One authorized German source claims that the Swedes have to decide where they stand and said that Germany had no designs whatever on Sweden, although it is conceivable that England may demand that Sweden discontinue supplying Germany with iron ore and certain other products.

The trade examined other factors, and crop reports this morning seemed to be a little more optimistic from the Southwest winter wheat belt. The resume gotten out by the Robinson Elevator Company forecast a crop for Kansas of 76 million bu, maintaining its previous estimate, and since this compares with the government figure of 59 million bu, many people came to the conclusion that possibly some of the pessimism recently has been overdone. One of our men was traveling through that State, and he gave us about the same picture. He claimed that more wheat was up than he had expected to see, although in the far west where the big acreage is, crop is very backward and weather from now on will tell the story. Estimates on the wheat crop by prominent grain men are anywhere from 70 to 90 million bu, and even this is not particularly good in view of the acreage planted, but it compares favorably with some of the extreme estimates that have been heard in the pit in past sessions.

We also received quite a few reliable reports from Oklahoma, where the trade on the whole is of the opinion that present prospects are somewhat better and that the final figure may exceed earlier estimates by 5 to 6 million bu. In other words, Oklahoma still has a chance to raise 30 million bu, but, here again, weather will be an important factor.

The Northwest seems to be encouraged by satisfactory surface moisture, and, of course, relatively high prices for farm products will undoubtedly give us a pretty good acreage. Warm, dry weather, however, would be desirable in order that spring work may be completed. This morning fairly heavy rains had occurred in many of the spring wheat districts, and it is thought that this moisture may travel into the Southwest by tomorrow or the next day, according to both the official forecast and map readers.

There was some profit taking, although volume of trade was just medium. Statistics do not change much from one week to the next. Total clearances of wheat and flour from Canada since August 1st are less than 140 million bu. This means that the remaining balance for export and carryover is still 325 million bu compared with only 147 million bu a year ago. It is a foregone conclusion that reserve stocks next August will be large, and probably the biggest on record.

We are making very little headway in export shipments from the U. S., even with the subsidy; since July 1st, 40 1/2 million bu of wheat and flour have cleared, and we could still ship 173 million bu of wheat, provided we would let stocks run down to very small proportions.

One gets very little information from Australia, but it is known that soil conditions have been improved by fairly extensive rains. Despite this, some reduction in acreage from last sdason is probable. Broomhall estimates the visible supply at 131 million bu, compared with only 48 million bu at this time last year. It is stated that neutral countries, such as Switzerland, Greece, South Africa and Portugal are inquiring for grain from Australia, but, of course, everything depends upon the shipping situation, which is not too favorable at this writing.

(OVER)

There was, however, a good-sized sale to the Orient a few days ago, but we are afraid that the export business has many complications. England remains the largest single import country even during war. Instead of a smaller acreage, as one might expect, it is claimed that she may have two million acres additional land under cultivation, as great efforts are being made in this direction, and even parks and playgrounds have been sown to wheat. Actual import figures are mere guesses, as no figures have been released since the outbreak of hostilities.

Primary receipts were quite heavy again today at 1,149,000 bu versus 1,114,000 bu last week, and 777,000 bu last year. Moderate quantities of loan wheat are being redeemed, and Kansas City and Minneapolis stocks so far this week show a total increase of 442,000 bu. There seems to be a fair-sized quantity of Duluth wheat destined for Chicago, probably to mills, but this has not been much of a market factor.

At the last May wheat showed a decline of 1 1/8¢ per bu; the July future was down 3/4¢ per down. The undertone, however, was fairly firm, even though lower prices were registered.

Corn was a shade easier. The situation is very confusing with large quantities left back in the country, but apparently the loan price has tied up normal supplies so that movement to market is comparatively small.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO April 26, 1940.

The European war news seems to come mostly from Norway; reports are somewhat conflicting, although apparently the Germans had the better of it yesterday insofar as infantry operations were concerned. It seems rather surprising that Sweden could have purchased four destroyers from Italy, and this may be construed in a sense that Sweden is not only on the alert, but is possibly more fearful of being drawn into the conflict than Italy during the next few weeks. It also shows that Mussolini may try to keep Italy neutral; otherwise, they would probably not be in a mood to reduce their naval strength at this time.

The grain trade paid very little attention to European activities; in fact, a good many comments were made in connection with interior mill and elevator stocks, showing that statistics were coming more to the foreground again. As of April 1st, the Department of Agriculture estimates that there are over 80 million bu in those positions. It includes large amounts of loan wheat, but nevertheless, we have seen in the past how this grain has at some time or other come back again into commercial channels; therefore, we make comparison with other years. Unfortunately, there were no figures given out as to how much wheat was in the hands of big mills, but we assume they have about 7 million bu more than in 1939, having run that much ahead of the previous season on January 1st. Should this surmise be correct, it would indicate that our domestic consumption is about 30 million bu smaller than a year ago. Last year our home requirements were very large, amounting to about 720 million bu. Despite the government's contention that the disappearance for the current season would be only about 670 million bu, we had our doubts right along, as we have the largest population now that we ever had. Consequently, we continue to figure that domestic needs are somewhere in the neighborhood of 690 million bu, and the figures just recited would tend to confirm that belief. If this is carried through to conclusion, it would also mean that our reserve stock next July would be about 275 million bu, allowing for total exports of 50 million bu, or namely, clearances of approximately 10 million bu from now on. A carryover of this quantity is really a blessing considering that prospects for the coming crop are none too good.

Still we predict that there has been some improvement because of recent moisture, particularly in the areas where proper germination occurred last fall. Rains overnight were somewhat unexpected, and in parts were extremely heavy. For instance, outside of Wichita there was as much as 4 inches of rain at the Air Port. Kansas is a State that can always use a lot of rain because there are sections that are semi-arid; there is an old saying that whenever farmers complain about too much moisture, the chances are that it was just enough. In other words, so much of it sinks into the soil that moisture reserves are always welcome. With a few weeks of growing weather there will undoubtedly be talk of improvement, and some of the old-timers are still mindful of this.

Therefore, today's liquidation was not at all surprising, particularly since we generally get selling orders at this time of the year, just prior to the time when May deliveries are expected. We doubt whether wheat tenders on contract will be important on May 1st because Chicago stocks of wheat are not extremely large, but on the other hand we also doubt whether mills are very anxious to take deliveries, as they are now able to get choice wheat from Duluth at rather attractive prices. This being the case, May wheat lost some of its premium as compared with other months.

Argentine shipments this week were very large at nearly 3 million bu; this showing is fairly favorable even with last year when they had raised a bumper crop. However, Argentina will become less important as time goes on since the surplus remaining for export is

(O V E R)

getting down to rather small proportions. Broomhall estimates it at only 51 1/2 million bu, whereas the previous year it amounted to 198 million bu at the same period. Farmers in that country are busy in the fields plowing and sowing, and with high prices they will undoubte ly be influenced in planting a large acreage; so an increase should be looked for.

The open interest yesterday increased again, and we figure that during the last thirty business days it has gone up about 30 million bu. July wheat during that period has advanced 2 1/2¢ a bu, and this we regard as remarkable evidence of the power of speculation to absorb hedges. During the period when loan wheat has come out heavily, the speculator performed a real service, and we hope that this will not be forgotten by those who often condemn our system, not mindful of the real value of organized exchanges.

Primary receipts were large at 1,311,000 bu compared with 1,221,000 bu last week, and 617,000 bu last year. Kansas City, Minneapolis and Duluth stocks so far this week show a total increase of 1,142,000 bu. We expect a small increase in the visible supply on Monday; a year ago it decreased 1,643,000 bu.

The market was subjected to considerable liquidation because of moisture and the prospect for more; also more optimistic talk about spring wheat conditions. At the last May wheat showed a decline of 2 1/8¢ per bu, while the July delivery declined 1 3/4¢.

Corn was fractionally lower, largely in sympathy with weakness in the leading cereal; also, the primary movement was slightly larger. Bookings to arrive are just moderate.

Rye was weak and it seems with Northwest markets at a big discount under us there is the threat of heavy deliveries. The open interest remains very large. Winnipeg rye futures were very weak.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO April 29, 1940.

The Western Front of Europe continues to remain quiet, and most of the war news is coming from Norway. The allies are said to be landing troops in large numbers, and apparently the next strategic move will be for possession of Trondheim, and at this writing a battle between the British and Germans is taking place. The result may determine whether the British can maintain control of the railroad, which is of prime importance to their position. In Britain some uneasiness was manifested over recent reports from Scandinavia, claiming that the allied troops lacked equipment to cope with the Germans, and it is possible that a secret session of Parliament will be called.

The trade paid more attention to other factors when our market opened this morning. There had been very beneficial moisture in both the Southwestern and Northwestern sections. This was somewhat unexpected in Kansas, as neither map readers nor the official was hopeful on Saturday that it would be received. The amounts were rather good in Kansas and Oklahoma, and already some improvement is claimed in crop prospects. One party wired us that this rain will put Oklahoma in pretty good shape, while another one stated he had driven about 100 miles northward fromEnid yesterday, where rains amounted to an inch practically everywhere, and this looked to him as though it should be of great help. We have had so many pessimistic reports there seems to be more chance for improvement than deterioration in view of cool temperatures and wet weather, which is ideal for the best development at this time, and possibly when the crop experts give their figures on May 3rd, this will be reflected in their reports. One party from Hugoton, Kansas, said that wheat fields in that territory are green and that there had been a transformation since the recent rains; that the plant had been backward, but that a good growth was starting now and Stephens County should come back in good shape. No doubt with a few days of growing weather, more optimism will prevail.

There was some liquidation at the outset, but apparently new buyers were found and more inflation talk was heard on the floor than in some time. There is no particular news to account for this except that huge spending is taking place, and many people believe that this can have only one result. War also is inflationary, and we observed that during the first World War 25 years ago. For instance, commodity prices in the U.K. rose 125% in 3 1/2 years during that era, and it is reported that in the last four months of 1939 they rose over 25%. To give an idea of how quickly funds are dissipated, we call attention to the fact that the estimated gap between British revenue and expenditures during the current year will be about 8 billion dollars. Someone made the claim recently that if all the money were confiscated from the so-called rich people, it would finance the war for not more than a week or possibly ten days, and this again is indicative of the tremendous sums that are being exhausted in carrying on modern warfare.

Statistics do not furnish much incentive, and world shipments, for instance, are being accepted in a routine manner with very little comment. The total this week, exclusive of Australia, was 8 1/2 million bu, compared with 11 1/2 million bu a year ago at which time Australian clearances were a part of the picture. There is very little known today as to the number of grain ships that are being sunk enroute and possibly we shall not hear much about this until peace terms have been concluded. However, we believe that in a general way losses are offset to some extent by the economies being practiced in neutral countries.

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There is very little comment about wheat in the Central States but east of the River progress seems to be quite favorable, and the Baldwin Elevator Company reports that weather conditions in Illinois last week were exceptionally good. When it is cool and wet it favors root development and stooling, while top development is also making nice progress. They conclude that winter wheat improved rapidly and that prospects are for a fair crop. We hear the same from Indiana and Ohio.

Tomorrow is the last day of April, when the outstanding loans under the CCC will expire. The last figures show 56 million bu of warehouse storage wheat still impounded. However, we assume that these compilations are not up-to-date, as most well informed parties tell us that the amounts yet to be redeemed comprise only a small proportion of the total.

The visible supply showed an increase of nearly 1 million bu, and is practically 30 million bu larger than last year; in fact, present stocks of 98 million bu are probably the largest for the season they have been at any time since 1933. Primary receipts were 1,494,000 bu versus 1,775,000 bu last week, and 910,000 bu last year. Chicago stocks decreased 128,000 bu, and are just under the 4 million bushel mark. However, we understand that some wheat is headed here from Duluth.

The market had a very good undertone; trade was not broad, but offerings were light, and even with the fine moisture, May wheat rallied to close 5/8¢ per bu higher than on Saturday, and the July future was up 1/2¢ per bu.

Corn was firmer in sympathy with wheat. The visible supply decreased nearly 1 1/2 million bu. We shall probably have a record carryover at the end of the season, but tremendous quantities remain impounded under the loan.

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CHICAGO MERCANTILE EX.

CHICAGO April 30, 1940

Prime Minister Chamberlain told the House of Commons today that it was not in the public interest to make any statement as to measures adopted by Britain in Norway, and this apparently was in answer to the many questions that had been asked concerning the war in Scandinavia. From now on, Britain will not publish shipping losses on the theory that such statements might give the enemy valuable information, although lists will be issued weekly giving the number of ships and the total tonnage sunk. This makes it more difficult to get accurate grain information, although we do know that the losses are nowhere near as great as they were in the World War twenty-five years ago. Several German victories were reported, but apparently, the fight around Trondheim continues.

There was very little grain news this morning, except that recent rains had been beneficial, and likewise, moisture in the Northwest at about seeding time can only be regarded as helpful for the germination of seed. Our own reports from offices in the Southwest are fair. Many call attention to the fact that, while the plant is greening up and there may be moisture enough for the time being, the root development will not stand much punishment, and, of course, in many localities abandonment will be very heavy. Some even go so far as to say that the government's figures might have been reduced from the previous estimate, had it not been for the late rains, but none of them are as pessimistic as Mr. Snow's report this morning, wherein he tells that seventeen counties from widely scattered regions of Kansas indicated that there had been no material improvement in the new wheat crop prospects and that many of them suggested additional losses since the first of the month. Of course, one can only conjecture this early in the season, and it may take more growing weather before more accurate estimates can be made. However, the future weather will tell the story, and in the meantime, the trade seems to accept bad news more readily than good news, with the result that the open interest keeps increasing almost daily. Yesterday it advanced by 1 1/2 million bu, and there is now a total of 126 million bu of contracts, both long and short, held by various commission houses. In a general way, the short interest would consist of hedged wheat, together with spreading operations, but we doubt if the outright short position accounts for very much of this, while on the other side of the picture we have a great many longs scattered from Coast to Coast. Apparently, a good many people have confidence in the present price level due to crop conditions, and the outlook is not only for a long war, but possibly the extension to various other fronts in the near future. Whether Italy would be inspired to become a direct ally of Germany, in the event of further German victories in Norway, remains to be seen, and we believe the question of oil is probably as important as almost any other factor, as these two countries would probably have to go to the same sources of supply, and thus divide their requirements, with little likelihood of overseas shipments being able to help out in any large way because of allied supremacy on the water.

Primary receipts amounted to 1,736,000 bu compared with 1,597,000 bu last week, and 618,000 bu last year. Kansas City and Minneapolis stocks show a total increase of 149,000 bu so far this week

The market had a fairly good/undertone at times but best prices of the day were not maintained, particularly as there were fair tenders for delivery on May contracts, showing that practically all cereals are on a delivery basis. We figure that some of the No. 2 yellow hard wheat which has been here for some time will go to those who are long the May future. At the last the nearby month showed a decline of 1 3/8¢ a bu, and July wheat declined 1¢ a bu.

Corn was rather weak and there was no special news, except that the country is very heavily supplied and many believe there is enough free corn to take care of commercial requirements.

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DAILY MARKET LETTER

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CHICAGO May 1, 1940.

Recent developments in Norway have favored Germany, and Hitler boasted that the foes had been routed. It must never be forgotten, however, that while Germany is very efficient, England has a vast staying power, and it still looks as though the war will be a long drawn out affair, with nothing overly decisive in the first part of the struggle. Italy was not pleased with Britain's action in diverting merchant vessels from the Mediterranean, but possibly this will bring a better understanding between the two nations, or else bring matters to a head.

The trade has not been following war developments so closely during the last few sessions, and more attention now is directed toward crop reports from the Southwest, where undoubtedly improvement has taken place as a result of the recent moisture. The Santa Fe Railroad, in its resume, believes that estimates will be raised somewhat in both Oklahoma and Kansas, although a static condition exists in other wheat States covered by this road.

In the revised and up-to-date figures of the United States Department of Agriculture, the domestic carryover on July 1st is expected to be 289 million bu. As we study their report, we take it that they figure on a domestic disappearance of only 670 million bu compared with 722 million bu last year, or a reduction of 52 million bu. Possibly they are right, as they have many figures at their disposal to which private interests do not have access. However, if they are overly conservative in the amount consumed at home then it would also follow that some reduction will finally take place in reserve stocks from the estimate just given. On the world's carryover, there can be no doubt now that next July their will be a record high for all times, with 1,433 million bu estimated by the same authority. This would be an increase of 244 million bu from the year before. Some claim that with war on and a smaller production likely, it may be a blessing in disguise to have such large reserve stocks, but on the other hand, we hear from important interests in Canada that there is likely to be a 10 per cent increase in acreage, and with surface moisture conditions in Canada improved and adequate to give the crop a start in most districts, there might still be a very good sized crop this next season. It must be borne in mind that unfavorable winter weather over large areas of Europe resulted in heavier than normal abandonment, and winter killing; moreover, spring seeding is reported to be generally backward. However, as an offset to these factors, freights are so high that the demand may be under-normal, and great economies are being practiced in practically all European countries.

Canada continues to exert great importance in the export field, because competition from the other three major exporting countries is greatly limited. United States exports are very small, and are likely to continue so during the next season. The Argentine surplus has been reduced to very small proportions, and while large stocks remain in Australia, shipping difficulties are against large clearances, and apparently a fairly large percentage of their crop will be carried over. In spite of the advantage accruing to Canada, it is still considered most likely that they will be faced with one of the largest carryovers on record on August 1, 1940,

In view of the above, some caution should be exercised on bulges, despite the war, and even with inflation a great menace because of the fact that Europe is engaged in slathering money to burn up and consume that for which it is paying, and at the same time is destroying manpower and machinery, which are the foundations of production.

(O V E R)

Shipments from the Argentine were quite heavy the past week, and almost totaled those of a year ago --3,674,000 bu versus 3,790,000 bu respectively. Broomhall reports from Rumania that the anticipated increase in the spring planting has not materialized due to the lateness of spring weather and wide-spread floods. He also reports that the acreage seeded to winter wheat showed a decrease of approximately 1,800,000 acres from the previous year. From our own Northwest, many reports received claim the soil condition to be favorable for spring work, and satisfactory progress being made.

Primary receipts were again heavy, totaling 1,364,000 bu compared with 993,000 bu last week, and 617,000 bu a year ago. Kansas City and Minneapolis stocks so far this week show a net increase of 316,000 bu.

Deliveries in this market were reflected today in the May future, which month was under the greatest pressure during the entire session. With the open interest now totaling 128 million bu, markets are much more two-sided, and at times may run into a technically weak condition, as the short interest is greatly confined to hedgers and spreaders. At the close May wheat was 2 5/8¢ per bu lower, and July 2 1/4¢ lower.

Although somewhat reflecting the weakness in the major cereal, corn gave a good account of itself, and quotations at no time were as weak as those registered in wheat.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO May 2, 1940.

Prime Minister Chamberlain told the House of Commons today that Britain must wait a little longer before a definite statement on military action could be made. They were expecting to get the full story of the allied expeditionary force in Norway, and this was about all that he had to say in addressing a crowded and tense House, although everybody knows that officials must be very careful in making any kind of news public as movements are being very carefully watched by the enemy.

The trade was somewhat discouraged because of the disappointing action of the market yesterday, and undoubtedly this was the occasion for further liquidation this morning by tired longs. The country as a whole has had a pretty good soaking the past 10 days, and while temperatures were unseasonably cool, except in the Southwest, some progress has undoubtedly been made. This was further established this morning when two of the crop experts published their data on the winter wheat situation. One tentatively figures the crop at 455 million bu, while Bennett's export made it only 441 million bu, but both of these were in excess of the 426 million bu figure that was published by the government a month ago. The indicated yield per seeded acre is about 9 1/2 bu, and this is a poor crop in comparison with other years. For instance, it is 2.7 bu less than the 1939 seeded yield, and 2.5 bu below the ten-year average.

However, abandonment is heavy and so much damage was done last Fall which cannot be offset even if better-than average weather is received from now on. The important thing to be watched is the development of the spring wheat crop. As the government points out, there is very little upon which to base an appraisal of the prospective yields this early in the season. However, correlation studies indicate that the fall precipitation, while exercising some influence, is not the all-important factor, and finally, the size of the crop is determined chiefly by June and July temperatures, together with April-May precipitation. Since April 1st, the precipitation has been above normal in northern Minnesota, and all of Montana, but below normal in some other sections up until April 26th, although improvement/has taken place since that date.

The open interest yesterday increased 1/2 million bu, despite liquidation and amounts to nearly 129 million bu. When we consider that on February 1st, it was as low as 79 million bu, we can see at a glance that speculators have absorbed a tremendous load of about 50 million bu, which, we believe consisted very largely of the loan supplies that have been put back into regular trade channels. On February 1st, July wheat closed at 93 1/4¢ a bu, and tonight it closed at $1.04 1/2 a bu, and this again proves the value of an open market, which has certainly benefited the farmer tremendously. Those who are dubious about the functions of organized exchanges, should take cognizance of the record. It is only one of many to which we could call attention if we had space.

Statistics are not much changed from a week ago. The U. S. has shipped less than 42 million bu of wheat since July 1st, but the movement is slow as the only subsidies operative at this time are on Pacific Coast cargoes. Canada shipped over 4 million bu this past week, but still has 320 million bu, which is available for export and carryover, compared with 145 million bu, similar period a year ago.

Primary receipts today were quite heavy at 1,249,000 bu versus 1,147,000 bu last week, and 1,076,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 440,000 bu.

There was a little more confidence after some of the selling subsided/and the market on the whole gave a rather good account of itself, closing just fractionally higher for all futures. Some figured that if we are still in a bull market, the reaction may have gone far enough.

Corn was quite strong. The primary movement is light, and the situation remains artificial inasmuch as such large quantities are still impounded under the loan.

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CHICAGO MERCANTILE EX.

CHICAGO May 3, 1940

News from Norway definitely indicated German victories, and rmed forces were apparently consolidating conquests rather swiftly all ver southern and central sections of the country. This is a sharp etback for England and may very well change the attitude of some of he neutrals, particularly those who have been wavering as to which ide to place their sympathies. We find that Italy, for instance, is ightening her naval policy, although this is probably due to the ritish withdrawal of merchant ships from the Mediterranean and the re-nforcement of the fleet in those waters.

With the possibility of war spreading to various fronts, there as some broadening of trade in grains and the market was in a better osition to respond to bullish influences after recent heavy liquida-ion. The upturn was also aided by Mr. Morgenthau's announcement that here would be no change in the domestic gold policy, claiming that any roposed remedies would bring disaster. In his public address, which as the first in nearly two years, he stated that the Treasury would ontinue to accept gold at present prices, because this is the only ound course of action open to the U. S. This also had a bullish ef-ect upon securities prices at New York, although we doubt whether nyone has felt that there was any immediate danger of the present olicy being culminated.

The private experts have all published their ideas now as to the ize of the winter wheat crop. On an average, they figure on 441 million bu, compared to the government estimate last month of 426 million u. This shows that at least the moisture has been of some benefit, although coming so late it has been less beneficial than in other years. The amount of land remaining for harvest will be comparatively small, in view of the heavy abandonment, and Murray figures tentatively that about 27% will be abandoned, owing to the drought and winter killing. In recent years we had one instance where the percentage was heavier, but the average is about 16%; therefore, a normal crop seems very unlikely.

There are a great many reasons for not becoming too bullish at this time. As we have pointed out in previous letters, the world carryover of wheat will be the largest ever recorded, and will probably amount to approximately 1,433 million bu. The Canadian Pacific Railway calls attention to the fact that the acreage this coming year will be nearly one million acres larger than in 1939. Furthermore, conditions in the Argentine are favorable for seeding operations, with more land being sown to wheat; therefore, the supply situation is still one to be carefully watched, particularly since the war has cut off a good many sources of demand, and actual requirements are somewhat disappointing, owing to the fact that neutral nations are buying less wheat than they would in peacetime. It is also reported that England has restricted the use of wheat flour to the civilian population. There is no exact parallel between this war and the World War, At that time wheat production was a matter of manpower and production was rather closely adjusted to demand. Now it is a mechanized proposition and vast new areas have been opened in countries that were relatively unimportant prior to 1914. On the other side of the picture, we find a great many people who believe that the crops in this country are not yet made, and that there will be plenty of scares before the wheat is harvested.

Primary receipts were pretty large today-- 1,205,000 bu, compared with 1,311,000 bu last week, and 758,000 bu last year. Kansas City, Duluth and Minneapolis stocks so far this week show a net increase of 1,247,000 bu. We are likely to see a small increase in the visible supply again next Monday. A year ago there was a decrease of 1,722,000 bu. The market had a good undertone. There was a little better milling demand and this required the removal of hedges. At the last, the May future showed an advance of 1 1/2¢ a bu, while July was up the same.

Corn was strong, and it seems that cash holdings are tightly held; elevators are not able to get their full requirements due to the artificial situation occasioned by the loan policy, and this is reflected in the futures price.

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CHICAGO MERCANTILE EX.

CHICAGO May 6, 1940.

Despite British reverses in Norway, it is thought in some quarters that Chamberlain may save his cabinet by promising immediate and effective coordination of the fighting services. In any event, it is likely that drastic reorganizations may soon take place, as there is considerable discontentment over recent developments. In the meantime, Europe is tense, awaiting possible action in the Balkans, and nobody is prepared to say at this time where the next battlefront is apt to arise.

The trade is always mindful that if the war spreads to new fronts, it will probably be regarded as somewhat bullish as it affects the grain markets. On the other hand, weather recently has been favorable and crop progress has definitely been made. There were some high temperatures reported in parts of Kansas yesterday, but this is relatively unimportant since, according to our private forecaster, lower temperatures are in sight, with the possibility of a showery condition setting in. A few days of warm weather at this time of the year might do as much good as harm, particularly as the crop has been backward, and we have heard of no complaints. As a matter of fact, there was very little crop news that reached this market, and traders were looking for new incentives, as there is very little at the moment to afford much bullish enthusiasm.

Europe continues to take fair amounts of wheat each week-- nearly 5 million bu were cleared from North America, and this is about the best showing in some time. Argentina, with a very poor crop, cleared 4,310,000 bu, which was even greater than last year following a big harvest. Everybody knows that before long shipments from that country will be curtailed, as the amounts remaining for exports are relatively small, and since Australia is having shipping difficulties, we imagine that Canada will gradually do the bulk of the business.

The trade is watching weather and crop conditions in Canada. The season is a little late and some of the snows have not yet melted, so that seeding will not be completed for several weeks yet in the backward sections, but the acreage will undoubtedly exceed the previous one, and quite a few of our friends in Winnipeg are optimistic in regard to next season's crop prospects. During the last forty-eight hours, there have been fairly good rains in North Dakota and Montana, and we believe that our spring wheat crop is also getting off to a fairly good start.

The visible supply increased over 1 million bu, with 99 million bu in various positions. This is large for the time of the year, particularly when one considers that by the end of June new crop will be moving, and natural increases will undoubtedly be the order of the day. This all means additional hedges to be absorbed. Chicago stocks decreased 122,000 bu, with 3 3/4 million bu of wheat still remaining in this market. Primaries were large at 1,366,000 bu, although a little bit smaller than last week, and a shade more than a year ago.

The open interest has been more or less stationary ever since April 30, when the loan wheat stopped coming back on the market, and apparently there will be some hestiancy on part of speculators until they can see the future more clearly. The Department of Agriculture claims that during the current season only 92 million bu of wheat will be fed to animals, or a reduction of about 35 million bu from the previous season. Higher prices for wheat and an improper feeding ratio is responsible for this change. This is apparently the reason they figure that our domestic consumption will be considerably smaller than in recent years, and in turn the carryover supplies at the end of the year are largely determined by this factor, as well as a small export business from now until the first of July.

With some liquidating orders in the pit July wheat closed 1 1/8¢ per bu lower than the previous session. The May future was a little stronger relatively, and it is believed that deliveries are going into strong hands, at least for the time being. The September future also closed 1 1/8¢ per bu lower.

Corn was under pressure, although trade was rather light. The situation in this cereal is artificial, so that price forecasts are difficult. However, there may be enough free corn coming on the market to create weakness, even allowing for the tremendous quantities still impounded under the loan.

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CHICAGO MERCANTILE EX.

CHICAGO May 7, 1940.

Prime Minister Chamberlain was received in Commons with cheers by some and jeers by others, but from all appearances, it seems likely that the present cabinet will stand, with Winston Churchill, First Lord of the Admiralty, having the special responsibility of supervising military operations. The Premier insisted that reverses in Central Norway merely stiffened the determination of Britain and France to win the war.

Our markets have paid very little attention lately to the European news. Attention has been directed toward Italian policies and what this might lead to in the Balkans, but judging from the inactivity, buying power has waned and there is not the same enthusiasm that we had a few weeks ago.

There was very little grain news overnight except a few scattered showers had occurred in parts of the Southwest and very good rains were reported over most of the Texas Panhandle. However. when the weather map was posted later on, it indicated a general showery condition during the next 24 hours for practically all the grain States, and this is considered beneficial in view of subsoil deficiency in many sections. It could not be stated with accuracy, however, that anything like a drought is existing. April, for instance, was a wet month in Kansas, and more rain fell over the State last month than in any other April in eleven years. It should be noted, however, that the western counties were rather badly slighted and numerous dust storms took place, according to the monthly state report. Kansas, however, is semi-arid in parts, and spring rains are more than welcome, particularly with the dry conditions that existed last fall, and the soil is very receptive; so there is plenty of room to build up reserve moisture.

Quite a few crop reports have come to us from the Central States, and we would say that East of the river conditions are very favorable. Wheat, oats, and barley are making a good appearance, although in some places crops are backward because of cool weather.

Very little is heard these days of export demand, although a few scattered sales of Manitoba wheat were made to the Continent overnight. However, business with the United Kingdom is reported flat, but this is not surprising since England has been buying only spasmodically and in large quantities whenever the market appeared right. It was about middle of April when she purchased 10 to 15 million bu of Canadian wheat, and we presume that the same tactics will be followed in the future.

Primary receipts were very heavy again today-- at 1,763,000 bu, or practically the same as last week when they were 1,736,000 bu; a year ago they were 675,000 bu. However, new pressure is not particularly heavy, although there were a few further liquidating orders by discouraged longs who felt that within six or seven weeks new wheat would be available, and additional hedging would undoubtedly become a factor. Kansas City and Minneapolis stocks show a total increase so far this week of 75,000 bu.

At the last there was a loss of 3/4¢ per bu for the July future, while the September was also 3/4¢ per bu lower. May wheat continued a little stronger relatively, and delivery receipts are not circulating as fast as they did earlier in the month, probably indicating that the wheat is being lodged in strong hands.

Corn was fairly firm in the early trade, but was finally influenced somewhat by weakness of the leading cereal. The primary movement is just fair, but we would not be surprised to see better bookings later on if crop prospects are maintained. At the present time rains throughout the corn belt are very welcome.

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CHICAGO MERCANTILE EX.

CHICAGO May 8, 1940.

Regardless of whether there is finally a shake-up in the British cabinet whereby older members will be retired, there seems to be some dissension at the moment, although in one respect Britain is united: namely, in the resolve that she is prepared and braced for a harsh and possibly a long conflict. With these facts in mind, she continues the blockade against Germany, tightening it up here and there, stopping certain leaks, and plugging up various holes all the time. The German success of recent days might have been foreseen. After all, Germany had planned for many years, and by virtue of dictatorship reached a point of efficiency that no democracy could ever hope to achieve. It has always been true historically that democracies have taken a bad beating in the first years of a conflict against dictatorship, but it is probably fair to assume that the allies will gradually become stronger while Germany becomes weaker. Rationing of foods started much earlier in this war than during the World War and, despite the preparations that were made prior to hostilities, the food situation is more critical than it was twenty-five years ago. Even the neutral nations of Europe are on rations, and the same refers to Britain, although as long as she retains control of the seas, markets of the world are open to her, and she has tremendous buying power, with large amounts of new gold being mined annually. Temporarily, tension in the Mediterranean has subsided and Italy still claims her intentions to remain in peace and friendly co-operation with the Balkan countries.

The grain trade is watching all of these developments carefully, but of equal importance at the moment is the crop improvement which has taken place during the past few weeks because of very favorable weather. This is recognized in the government weekly report with certain exceptions. Also, in the spring wheat belt conditions are decidedly favorable, with seeding now completed except in the later districts, and the first-sown grain has come up already to good stands. Yesterday's weather map showed promise of fair moisture rather generally, and no disappointments were expressed in this direction, as various sections of the country this morning reported the amounts of precipitation that had been received. In Kansas, it varied from showers to as much as four inches. The rainfall was lighter in Oklahoma and in Nebraska, but even some of the western districts were favored this time; this is bound to prove beneficial and we are looking forward to larger yields because of this situation. It may not be reflected, however, in the government report next Friday, since most of that data has been compiled as of May 1st.

It was again quiet in export circles, but the chances are that within another ten days or two weeks Britain may again come to Canada for a substantial purchase, as this seems to be her method of acquiring supplies.

Free sterling dropped to a new low this morning of $3.31, and the French franc declined to the lowest level in history; but neither of these factors had very much effect upon either the grain or securities markets.

Primary receipts were quite large --1,283,000 bu compared with 1,364,000 bu last week, and 717,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 224,000 bu.

The market today was extremely choppy and erratic, because of the many rain reports that came here from Texas, Oklahoma, Kansas and Nebraska. There was stop-loss selling at times, with July wheat touching $1.02 3/4, but the reactions were just as rapid, and judging from the large open interest, there are still a great many people who have confidence that war will cause higher wheat prices later on. The milling demand is only fair, with spring wheat mills last week selling 53% of capacity, compared with 68% a year ago, while in the Southwest, the volume was 24%, compared with 27% in 1939, according to the Northwestern Miller.

At the last, July and September wheat showed gains of 1 1/4¢, but the May delivery was under some pressure and lost ground on the deferred months. The leading cereal was helped by strength in corn, and the latter was influenced by unconfirmed reports of export business to the United Kingdom. Better speculative buying was promoted.

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CHICAGO MERCANTILE EX.

CHICAGO May 9, 1940.

Regardless of immediate developments in Europe, the entire economic system is destined to be finally affected by the outcome of the war --moral principles, final character of the peace, and many othe factors will determine the civilization of the future. In the meantime, hostilities may be prolonged so that we can only look at the intermediate changes. The allies continue to buy rather sparingly in order to conserve foreign exchange, while Germany is finding it increasingly difficult to carry on an overseas import trade. Denmark is the latest country to be deprived of corn imports from either the Argentine or the U. S., due to German domination, and we have seen in the past that this small country often took as much as 17 million bu of corn during a year; therefore, its absence as a buyer may have some effect. The maintenance of Denmark's huge livestock population is largely dependent upon imports from overseas, and unless Germany and her occupied territories of former Czechoslovakia and Poland can make good the deficiency, a serious reduction in Denmark's livestock population is inevitable.

One does not receive the most reliable European crop news at the present time, owing to the war, but we feel convinced that the 1940 harvest will be much smaller than that of 1939. In many countries, crop estimates are being censored, but we do know that Rumania has suffered severely. In Belgium, sowings have been greatly curtailed, and a similar reduction has probably occurred in Holland. Whether this means additional imports remains to be seen, as great economies are being practiced. As Broomhall points out, a small crop in Rumania would probably react unfavorably on the economic position of Germany, particularly as crop conditions in her own country and in her protectorates cannot be good. Germany, Poland, Austria and former Czechoslovakia have experienced a hard winter, possibly more severe than in the Western and Southern countries, and it is inferred that agriculture has suffered a setback.

We had a number of reports from our offices and correspondents in the Southwest. On the whole, improvement has been shown as a result of the recent rains, and from the Northwest, the Van Dusen Harrington Company report summarizes the general outlook rather optimistically, claiming that crops at the present time are in a distinctly favorable position.

Our market was rather hesitant during the first half of the session, but when the Department of Agriculture announced that subsidies on corn would soon become operative and that they were entertaining bids from exporters, there was a buying wave that spread over all pits, and the yellow cereal went into new high ground for all three futures. We still do not understand whether the government will sell its accumulated surplus in the iron bins, possibly to make room for future supplies, or whether they expect to permit direct sales and reimburse exporters for the losses that are incurred. It seems that no definite plan has yet been described for this new venture.

Export demand continued quiet in wheat, and Broomhall seems to think that the British government is so well supplied with Canadian wheat that no offers will be considered earlier than June shipment. This results from the substantial purchases recently made in the Argentine, and this week's shipments from that country are estimated in excess of 3 million bu.

Primary receipts were heavy again at 1,473,000 bu versus 1,249,000 bu last week and 1,033,000 last year. Kansas City and Minneapolis stocks so far this week show a net increase of 346,000 bu.

There was no definite trend to the market today. Recent improvement in crops suggested caution on the bull side, but with the open interest increasing again it definitely proved that the public was in the market on the constructive side, and without pressure it required only small buying to keep the market from declining to any extent. Winnipeg was indifferent, and since last August Canada has only shipped 29 million bu more wheat and flour than the previous season, despite war, and despite the Argentine crop failure. The present visible is 163 million bu more than in 1939.

At the last July wheat showed a decline of 3/8¢ per bu and the September future was 1/4¢ lower.

Corn trade was not large, in spite of the news from Washington. Most traders are awaiting further developments to see just to what extent the export subsidies will affect the commercial supplies, if at all.

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CHICAGO MERCANTILE EX.

CHICAGO May 10, 1940.

The German invasion of Holland, Belgium and Luxemburg came with the usual fierceness and dispatch. It seems to be the major purpose of these German invasions to acquire air and submarine bases for a direct attack on the British Isles, and for some time the English had been very fearful of these tactics. In this country, by Presidential proclamation, all Dutch and Belgian funds have been frozen, and the situation remains very tense. There is, of course one consideration that requires study: namely, whether the new outbreak will finally mean a quicker peace than was considered likely heretofore. Should anything of this kind occur, then it behooves those who are trading in commodities to take cognizance of this factor.

It was only natural that the trade should construe today's events in Europe in a bullish vein, but there was also the question as to how much additional buying power might come into the market; therefore, we had many erratic swings after an initial gain in wheat of 4 to 5¢ a bu.

In Paris, the Bourse was weak all around; sterling and the French franc went to new low ground, but the invasion of the low countries failed to promote any panic selling, and apparently what had occurred with such suddenness was somewhat expected, except for the exact time. Sentiment in Amsterdam is calm, although there was a run on some of the banks, particularly savings accounts, and many withdrawals were reported; but, generally speaking, business in all lines became stagnant. In the meantime, Mr. Chamberlain has arranged for an early audience with King George, and no doubt there will be greater unity, owing to the grave developments which are now taking place. Italy, for the time being at least, proclaims continued neutrality, and there is a great deal to watch at the present time; therefore, uncertainties are bound to continue for sometime to come.

It was rather difficult under such circumstances to follow statistics closely, although one should not forget them, because, after all, they will again come to the foreground sooner or later. Canada, according to the Dominion Bureau, will sow 1 1/2 million more acres to wheat than in 1939; consequently, a large crop is in sight.

Later this afternoon our own government will issue a crop report giving the production yield per acre, also the percentage of abandonment of winter wheat and rye, but it is not likely that the figures will vary much from the average of the crop experts. Furthermore, it is likely that since this data has been compiled, improvement has taken place owing to beneficial rains.

Primary receipts were 1,064,000 bu versus 1,205,000 bu last week, and 874,000 bu last year. Kansas City and Duluth stocks showed a net increase so far this week of 156,000 bu. We do not expect any great change in the visible supply on Monday; a year ago there was a sharp decrease of 4 1/2 million bu.

The Department of Agriculture pointed out that the largest share of U.S. exports to Holland and Belgium is accounted for by shipments of agricultural commodities, and it is a question now whether we shall be able to continue to do much business with those countries.

While there was a very firm undertone here throughout the session, there was a good deal of confusion in the minds of the traders as to what might be expected next. At the moment there is some improvement in the milling demand, and quite a few hedges were taken out of the pit, which also aided the upturn. September wheat gained fractionally on the other months, and at this price we doubt whether elevators will carry supplies unless they can get at least a reasonable carrying charge. The May future was more or less neglected, and a few liquidating orders brought it closer to the July price. At the last the active months showed an advance of 3 7/8¢ per bu.

Corn was fairly strong; it was largely in sympathy with wheat, as after the close yesterday it was learned that exports through subsidy would probably not affect the commercial supplies of corn. In other words, the government has in mind selling some of its accumulated surpluses now stored in the country; and since the percentage which would be shipped to Europe would be small in comparison with the large reserves on farms it would not be a potent factor marketwise.

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CHICAGO MERCANTILE EX.

CHICAGO May 13, 1940.

European events over the weekend proved the correctness of Premier Churchill's statement that Britain is facing a grievous ordeal. French and German mechanized forces clashed for the first time during this war, while German bombing planes continued to operate over Belgium and Holland, and blasted at moving troop communications. It is difficult, of course, from reports that we get to follow every move, but at least the allies are at a critical period right now, waging war by sea, land, and air, with apparently all the strength at their command. Meanwhile, there is a greater demand for our own defense program to be carried on, and events in Europe dictate a policy of speeding up the tempo of war defense measures all along the line. Even our navy would be incapable of defending both coasts with the present fleet, particularly if it had to continually fear aerial attack from various directions. We are convinced that as time goes on tremendous sums will be spent, and gradually taxation must be greatly increased to take care of all these expenditures. Likewise, the debt limit will have to be raised, and all this seems impossible without inflation of one kind or another. There is also the feeling in Washington that without becoming a belligerent, we may gradually furnish the allies with greater assistance in the form of supplies.

The stock market , which opened before our grain market, showed rather severe losses, and liquidation continued when there was a rumor that the British Consul in Italy had advised all Englishmen to leave that country. Naturally, with a very large open interest in grain, there was bound to be some selling and new buyers could only be found as prices declined.

The crop news was also more favorable, and we had one advice from Amarillo that wheat was looking better in Texas; in fact, from Fort Worth to Amarillo the appearance was reported as being better than a year ago. Some think that Texas might raise as much as last year, provided normal weather continues until harvest. The government report recently issued increased the estimates for Kansas, Nebraska, Oklahoma, and Texas, but even on the remaining acreage the yields are not expected to be very large. For instance, even after abandonment, Oklahoma is expected to raise only 8 1/2 bu per acre; Texas, 9 bu, and the same for Kansas. Therefore, we can see the possibility that finally crops may turn out better than was suggested by the May official figures.

Nobody is paying much attention to world shipments. However, they seem to be sufficient for import requirements, although the comparison with last week and last year is very poor, and undoubtedly this results from very high freight rates, and also, the inability to get ships.

At one time last week there had been fairly bullish enthusiasm in grain because of the government announcement that corn subsidies had been inaugurated. However, subsequent confirmation indicates that the sale of about 20 million bu of American corn would be limited to government-owned corn, and since this is neither hedged nor in the commercial supply of the country, we doubt whether actual clearances will have much more than a sentimental effect, as there are such tremendous stocks impounded, and whether the U. S. carries over 20 million bu more or less next November should not be important as a market factor.

There is very little comment about crop prospects in the Central States, although people who made trips over the weekend came back rather optimistic. Despite subsoil deficiency early in the season, the principal soft wheat states: namely, Pennsylvania, Indiana, Ohio, Illinois, and Michigan have a present prospect of raising 127 million bu, against last year's harvest of 137 million bu. Since some

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of this wheat is available for theChicago area, it is quite an important item. The four Pacific coast states may raise about six million bu more than last season, and even with a tremendous haul to eastern markets, we saw what a menace was occasioned by inadequate demand last year in the far west; therefore, this must also be watched, because despite the subsidies, it is not easy to get Pacific coast wheat into export channels in competition with surpluses from other countries.

Primary receipts today were small at 998,000 bu versus 1,366,000 bu last week, and 1,309,000 bu last year. When the visible supply was posted it showed a decrease of 411,000 bu, or only 10% of the shrinkage last year same day. Total stocks are close to 99 million bu, which is very large considering that new supplies will be coming on the market in a little over a month. Chicago stocks increased 106,000 bu, to a total of 3,899,000 bu.

There was considerable liquidation and general discouragement because of the weakness in stocks, and uncertainty due to European developments was also responsible. At the last the July wheat was 2 7/8¢ per bu lower; the September future declined the same.

Trade in corn was a little heavier; there was liquidation in this cereal, and while the visible showed a decrease of nearly 2 million bu, little attention was paid to this factor.

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CHICAGO May 14, 1940.

The overnight military news was not very heartening to the allies. A great battle was raging along the Meuse River in France, as well as in Belgium, and the Germans threw their whole might of airplanes, tanks, infantry and artillery into the fray. In the meantime, British, French and Belgian armies are covering Brussels and the Belgium capital in what is termed the early stages of the great battle. Military authorities believe that it will take two or three days to determine the outcome.

The grain trade was in a rather discouraged frame of mind, and after yesterday's sharp recession, further liquidating orders came into the pit again today. This was particularly noticeable at times when weakness developed in the securities market, and more people are now concerned with the possibility of a quick peace, where formerly they had considered it more likely that hostilities would go on for several years.

As far as the actual grain news is concerned, there is nothing particularly new. The northwest weather on the whole has been satisfactory and more moisture occurred in parts. The same is true in Nebraska, northwestern Kansas, as well as the southeastern part of that State. Private reports which come to us confirm more or less the government's estimate of 460 million bu for the winter wheat crop. Considering that last December the official condition was only 55% of normal, or the lowest ever recorded, the plant made a fairly good recovery because of favorable weather during April and the first part of May. On December 21, 1939, the government forecast a crop of only 399 million bu, and at that time we made the following comment in our market letter:

> "As an offset to the bullish report the government shows that 45 million acres had been sown, and this is, roughly, 2 million acres more than had been looked for. We, ourselves, regard it as a little more hopeful that almost the full intended plantings were accomplished, because we have learned from past experience that when wheat is in the ground it has a chance at coming up, while obviously it is impossible when it has not been sown. Also, with the condition already so low, moisture, if it occurs, might bring about some improvement, and we would almost hazard a guess that there is more chance for some betterment than for further deterioration."

It is, of course, too early to have definite ideas as to the size of the spring wheat crop, but we do know that during the month of April moisture in the Northwest was satisfactory, as will be observed from the figures below, issued by the U. S. Department of Agriculture of the 4 important spring wheat states:

	Average per point	
	1940	1939
Minnesota	2.23	1.34
South Dakota	2.31	1.06
North Dakota	1.99	.93
Montana	2.54	.63

Primary receipts were fairly good today at 1,447,000 bu versus 1,763,000 bu last week, and 1,184,000 bu last year. Stocks so far this week at Kansas City and Minneapolis show a total increase of 250,000 bu.

Not much comment is necessary on a day when wheat has broken the full permissible limit of 10¢ per bu. Buyers could not be found in sufficient numbers to offset the liquidating sales that seemed to come from everywhere. Judging from the accumulation of selling orders that could not be executed, there may be further losses.in the market tomorrow, although we consider this a very substantial correction to an over-bought situation.

Corn was naturally influenced by the tremendous wave of liquidation. At times the yellow cereal was in fairly good demand, but at the last substantial losses were registered.

The same was true of the other cereals, especially rye which declined 10¢ per bu.

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CHICAGO May 15, 1940.

The carryover feeling from yesterday was very bearish because it was figured that there would be a continuation of the liquidation, and this proved to be correct, although at times there were good reactions. There were all kinds of reports fromEurope, but, of course, they varied depending on whether they were given out by the German high command or by the allies. The chances are that only the post-war historian will be able to tell us exactly what is happening at the present time. It is known, of course, that the allied forces in Belgium are fighting off heavy German attacks, and there have also been denials that the Maginot Line defenses had been broker around the French city of Sedan. In Paris, securities were quite weak on the news of the Dutch capitulation, and this had a bearish influence upon New York stock prices early, although a recovery followed.

With such great uncertainties, it was not at all surprising that markets here should be extremely erratic. This was further emphasized when Winnipeg prices showed an extreme decline of 10¢ per bu, apparently new buyers not coming into the market in sufficient numbers to offset liquidating sales.

There has been no important export demand for Canadian grain in some time. True enough, scattered lots have been taken, but Canada is dependent on important purchases from the United Kingdom, and these were not even forthcoming this morning, although that market has broken 14 1/2¢ a bu in two days.

Meanwhile, weather in Europe has been more favorable for crops, and it is reported that prospects in Rumania have improved. In France, conditions are also more favorable, although in Northern Europe the season is generally three to four weeks later than normal. There is progress in Russia with spring seedings, but of course nobody would venture opinions as to the possible outcome in the areas where fighting is taking place; nor is it known yet just to what extent men may be needed to take up arms instead of following their peaceful pursuits. Of course, a prolonged war would cause devastation and wastage. It would also mean greater manpower similar to what took place during the World War. At that time there were reductions in crops of 30 to 40% in warring nations, as farming could not be carried on advantageously. Of course, now that hostilities are spreading, there is some concern felt as to whether exporting nations will have sufficient outlets for their grain. This may also be responsible for some of the weakness in the Canadian market. The Scandinavian countries used to import large quantities of rye from the U. S., and this was particularly true in the last war, but now, with the blockade and invasion, there seems very little chance of shipping, at least at the moment.

Despite war, we find since August 1st world's wheat and flour shipments to Europe are 34 million bu smaller than the previous season; to ex-European nations they were 33 million bu smaller. By way of explanation, it should be noted that since end of February, Australian clearances are not included in these figures, although we doubt whether they are a big factor, since shipping difficulties have been great. However, it does show that economies are taking place on a big scale.

The government weekly grain report was somewhat optimistic, claiming good progress of winter wheat in the eastern portions of the belt; also good progress in Kansas, and in the spring wheat territory the plant is up to good stands in much of the Dakotas, with planting being rushed in the more northern portions. Good progress in seeding was made in Montana; therefore, practically no crop scares were instrumental in shaping sentiment of today's market.

Statistics did not count for much, although the primary movement was only about half as large as last week, and even smaller than last year.

At the last the July wheat showed a decline of 9 7/8¢ per bu, while the September future declined the full permissible 10¢ per bu.

Other grains were naturally influenced by the weakness of wheat and liquidation was the feature in all pits.

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CHICAGO May 16, 1940.

The German high command indicated that the mechanized offensive had encountered firmer resistance, but, nevertheless, severe fighting seems to be in progress along a 200-mile front from Antwerp to the Meuse River sector in Sedan. During the night British aerial bombardment made its biggest attack of the war on German road and rail communications East of the Rhine. Tons of bombs were dropped to disrupt the German drive on the Low Countries' front, according to the Air Ministry. Meanwhile, some of the remaining neutral nations are increasing reinforcements. Greece, for instance, is protecting her mountainous frontier region, and precautionary measures are also being taken in Switzerland to meet any possible emergency.

In a general way the grain trade felt the declines of about 25¢ during the past three days had gone far in correcting an overbought situation, and with wheat in Chicago around the 85¢ level, this was considered a fairly reasonable price, taking into account that hostilities will probably continue for sometime to come.

There is, of course, one thought in the back of most people's minds: namely, what the importing countries will be able to take in the way of their requirements under present conditions. Broomhall has reduced his estimate recently to 528 million bu, but since August 1st to the present time only 386 million bu of wheat had actually been shipped, plus an additional small quantity from Australia during the last two months, the latter figures not being available due to censorship. But, according to the best calculations that we have before us, it would probably mean that during the next eleven weeks, world shipments would have to be as large as 12 million bu weekly to fulfill Broomhall's estimate, and then, of course, it remains a question also how the demand will be next season with Holland, Belgium, and Scandinavian countries probably largely reduced or removed as buyers.

Canada undoubtedly will have a tremendous carryover on August 1, 1940. The present visible supply, excluding wheat in transit, is 164 million bu larger than a year ago. Moreover, recent weather has been quite satisfactory, and on an increased acreage, they are pretty apt to have average yields again next summer. This has been responsible for some of the bearish feeling in Winnipeg, where prices broke severely again this morning, wheat futures at one time being 7¢ a bu lower than at the close yesterday. Rye was off about the same amount, although recoveries occurred after confidence was restored.

We see no reason to change our estimates on the U. S. carryover, as clearances at the present time are not particularly large, even under the subsidy. The government figures that total crop and carryover may amount to about 952 million bu, and Mr. Wallace stated that the U. S. is in a marvelous position from a standpoint of food. He also claimed that the government had only taken title to about 5 million bu of wheat when it foreclosed maturing loans, and, therefore, we judge that practically all supplies now with a few small exceptions are back again in commercial channels. We refer to the loans which had not been called, representing possibly 15 million bu of wheat on farms, and also, comparatively small amounts of wheat that are held under the insurance plan.

Primary receipts today were 980,000 bu versus 1,473,000 bu last week, and 1,028,000 bu last year.

The market had many ups and downs during today's session, but apparently there was a more comfortable feeling, particularly with some recoveries shown in the stock market. The open interest showed a 14 million bu decrease yesterday, with total contracts at the present time down to 105 million bu, or a reduction of about 24 million bu from the top point. This suggests that liquidation has been quite thorough. July wheat at the last was 3 1/2¢ per bu higher, and the September future advanced 3 1/4¢ per bu.

Corn was quite strong, even when the leading cereal was weak, and it is felt that after recent declines the movement from the country will be light. The cash article is selling at good premiums, and there seems to be very little new pressure.

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CHICAGO May 17, 1940.

The overnight military news was very confusing. One almost had to sit next to a radio to trade in the wheat market this morning, as reports were conflicting and changed so rapidly. Early the allies expressed confidence that they would be able to hold their defenses, and from Paris came a dispatch that heavy allied reenforcement had poured tons of high explosive shells and combs into the apex of the German break, and the destruction of this German salient was said to be of the utmost importance. However, after mid-session the allied troops were reported reliably to be withdrawing from the sector around Brussels, as the Germans threatened to split the allied communications between France and Belgium, and under these circumstances the present situation was regarded as extremely grave. It was learned also that the Germans were using at least two and possibly three heavy armored divisions in the push through the Mezieres-Sedan Gap.

After a fairly steady opening both grains and securities took a sharp dip, and it was also reported that the Belgian government had been compelled to move its headquarters from Brussels to Ostend on the North Sea coast.

Not much attention was paid to statistics and weather, although nice rains had been reported in parts of Kansas, and undoubtedly the crop is making satisfactory progress. In Europe, much was heard earlier of the poor prospects, and at the present time the critical period for wheat is ahead. Broomhall believes that the very pessimistic reports have been exaggerated, although no doubt the final yields will not be very large, as there have been several adverse influences; moreover, a shortage of labor is being felt in many districts. A large percentage of farmers who had been hoping to patch up their winter wheat fields, or increase their spring wheat acreage, have been forced to abandon these plans owing to the exceptional lateness of the season. In some of the Continental countries where partial or complete mobilization has taken place, it will be difficult to get sufficient manpower, and definite reports of a considerably reduced acreage are received from Rumania, Jugo Slavia and Hungary. We can only guess, even without authoritative reports, that similar reductions in Germany and her protectorates will occur. War-stricken Poland, for instance, is not likely to produce very heavily on a curtailed acreage next summer. Should the European crop turn out badly this year, it would of necessity affect Germany more seriously than the allies, but since Germany is pretty well out off from all sea communications, this latter factor may not be much of a market influence, while the allies still are claimed to have fairly large reserves on which they could exist for a time, plus the fact that there are still large surpluses in exporting countries upon which they could draw.

This week, for example, Argentine shipments were tremendous at 6,300,000 bu, which is the largest this year, but of course cannot be continued as remaining stocks in that country are getting down to rather small proportions.

Not much export business was reported overnight from North America, and it is somewhat surprising that, despite sharp breaks, England has not come into the market on a better scale. With prospects in Canada fairly optimistic, this may have something to do with it. Manitoba seeding is nearing completion, with probably 97% of the seed in the ground, although in the other two provinces fieldwork is backward. Saskatchewan is only 67% seeded, compared with 97% last year, and in Alberta, a poorer showing is made --33% now versus 93% the season before.

Primary receipts were 1,265,000 bu versus 1,064,000 bu last week, and 933,000 bu last year. Kansas City, Duluth and Minneapolis stocks so far this week show a total increase of 1,122,000 bu. This suggests that the visible supply may increase slightly, but in any event probably will not decline to any extent; a year ago there was a shrinkage of practically 2 million bu. Late in the session there were reports of alli reverses and in the last minutes of trading European war news dominated, while other factors were practically ignored. We believe that this will continue, and therefore the outlook is extremely uncertain.

Corn also declined. There was no news other than what we have reported lately. Primaries were small, and farmers apparently are not selling much at these levels, particularly those who are protected by the loan and can do better by waiting.

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CHICAGO May 20, 1940.

One of the most important events in Europe over the week-end was Prime Minister Churchill's talk, which was solemn and impressive. He has great faith in the allied strength and in humanity, and with the Germans being driven back for several miles, he stated: "But it would be foolish, however, to disguise the gravity of the hour. It would be still more foolish to lose heart and courage or to suppose that well trained, well equipped armies, numbering three or four millions of men, can be overcome in the space of a few weeks, or even months, by a swoop, or raid, of mechanized vehicles, however formidable."

In this country, Secretary Wallace had asked the various grain exchanges of the country to peg prices at Saturday's closing levels. There was spontaneous compliance, and all wires carried this news to every grain center. The immediate effect was to bring new buying orders, with many people reasoning that their losses would now be limited. This, of course, is true during the period of the emergency, but should European news, or other factors, bring about liquidation again, one must be prepared to face realities. By this we mean that selling might develop rather unexpectedly and, therefore, great uncertainties continue. We have likened it in the past to a number of men being in a room as free individuals. As long as the doors are open, nobody makes an attempt to escape, but once the key is turned, there is a general rush for the exits; and this might occur with adverse news, although we sincerely hope that it can be avoided.

After a break of 34¢ a bu last week, the market had become more orderly. Natural reactions took place on Saturday after a 10¢ break, and new buying came into the pit of a rather impressive nature. Milling demand had improved, and new investors apparently considered the present level as reasonable. Before the outbreak of war, wheat sold around the 70¢ level, and on basis of Saturday's close, was not much higher than that figure; therefore, with only a short crop likely to be harvested this summer, the general feeling was less nervous.

We might also point out that on May 9th, the open interest in wheat was 129 million bu, and as given out by the government this morning, it has been reduced to 87 million bu; therefore, the shrinkage in open positions amounts to 42 million bu. A year ago at this time it was 70 million bu, and with a fairly good crop in prospect, it was a foregone conclusion that there might be a fair amount of hedging pressure, while this coming season it will be smaller because of the fact that the outlook is for a combined winter and spring wheat crop of somewhat less than 700 million bu.

We believe that today's upturn might have been accomplished without the artificial stimulus, although this can never be proved. After mid-session, the administration announced loan prices for wheat. The compliance farmers will receive 81¢ a bushel at Chicago or practically the same as last year; at Kansas City the price will be 77¢, and at Minneapolis 87¢. The program as we understand it, will become operative when the new crop moves, much the same as was the case a year earlier.

World shipments of wheat were very large this week, 12 million bu, exclusive of Australia. However, more than half came from the Argentine and we figure that the distribution in the future will be more in favor of Canada.

At Winnipeg, there were also minimum prices and restrictions placed upon trading, but the market up there also advanced above the pegged limits. We call attention to the fact that in Canada coarse grains were not included, as was the case in Chicago.

(OVER)

With a better stock market this morning, and war news more cheerful for the allies, there was a better feeling all around, and we were told that the baking and merchandising interests started to accumulate heavy supplies for future needs, with the result that the milling demand ran up sharply.

The weather map showed good rains in the Northwest during the past forty-eight hours, but very little attention was paid to that factor. Also southwest moisture was ignored.

The visible supply showed a slight increase of 276,000 bu; the total in all positions is 99 million bu, and rather unusual with only a few weeks before the new crop will be moving. Present stocks are 39 million bu heavier than last year. At Chicago there was a slight increase, and there is nearly 4 million bu in store in this market. Primary receipts were smaller, at 665,000 bu versus 998,000 bu last week, and 915,000 bu last year. Apparently the movement slowed up because of the sharp drop in prices.

At the last a good part of today's gain was maintained, with July wheat 5 3/8¢ per bu higher, while the September future advanced 6¢ a bu.

Corn was also in better demand. The fact that cash supplies are not burdensome, and that the basis is very sound everywhere lends encouragement. The primary movement is quite small.

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CHICAGO May 21, 1940.

There was no particular grain news overnight, except that beneficial rains had fallen in parts of the Southwest, and, in fact, precipitation West of the Mississippi river was good, and one must conclude that crop prospects are improving. Not much is heard in this direction, because attention is centered almost entirely upon European events.

A tremendous battle is being waged in France, and while the allied sources are apparently taking a conservative attitude, particularly in contrast to some of the German claims, there can be no doubt that the situation is extremely grave. The French Premier, Mr. Reynaud, actually used the term "disastrous" in describing the German break through the French lines. The worst threat, of course, would be that the armies in Northern France might be cut off from their allies in Belgium, and at the present time it is extremely difficult to comment upon the situation, as so many conflicting reports are being heard. The British military sources are taking a rather reserved view of the whole affair and claim that the German victories cannot be regarded in too optimistic a sense unless Germany consolidates her positions. It must be noted that in London, trading was very quiet throughout the session, with the stock market closing generally firm; in fact, at about the best levels of the day. There was also more or less confidence in Paris, and no heavy liquidation was reported on the Bourse.

With conditions so chaotic in the world, the New York securities market was very vitally affected; averages were as much as $7 a share lower, and liquidation was heavy. This naturally had some effect upon wheat prices, although considering the sharp declines in the East, our market gave a very good account of itself. It is fortunate that the milling demand has picked up, because this has lent some support in that hedges have been taken out of the pit. We presume that pegged prices have stimulated the demand. Otherwise, there was not much in the actual grain news. The foreign demand was very quiet overnight, and we have not heard of any important wheat sales to Europe, even fromCanada, in the past few days.

There can be no doubt that allied counterattacks against the "blitzkreig" in Northern France are taking place on a broader scale than are being mentioned. This in our opinion means that fluctuations will be extremely erratic for sometime to come.

Primary receipts today were fairly moderate at 958,000 bu, although lighter than last week, when they were 1,447,000 bu, and a year ago they amounted to 1,369,000 bu. So far this week, Kansas City and Minneapolis stocks showed a total decrease of 11,000 bu, and the chances are that the visible will not increase much until the new crop movement gets under way.

The trade,of course, is paying very little attention to statistics these days, and this is only natural. At the last July wheat showed a decline of 1 3/4¢ per bu, and the September delivery was down 1 7/8¢.

It is apparent that a fair amount of confidence still exists, and there is a feeling that the recent liquidation has been pretty thorough, provided events in Europe get no worse. Also, present prices are regarded as quite reasonable.

Corn was lower, as were other cereals. It was not so much a question of immediate supply and demand as the uncertainty over the future.

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CHICAGO MERCANTILE EX.

CHICAGO May 22, 1940.

There was general belief this morning from the European reports that the French armies had turned on the invader, and this was the first optimistic news in several days. British military quarters believe that General Weygand had begun a countermove onthe German advanced mechanized units in France with a flank attack. Of course, it is impossible to follow in detail all these various drives, but at least the recapture of Arras by the French was claimed, and possibly this is an important step toward checking the German thrust to the English Channel.

There was fairly heavy liquidation in the securities market this morning, despite the change in the news, but, of course, margin calls may have been heavy after yesterday's close, and a good many people apparently liquidated their securities. After this was accomplished, there was a better undertone, and for the time being, at least, there was also restoration of confidence.

In Britain, people seemed calm under the circumstances. Everyone felt that a great battle was still being waged at sea, on land, and in the air, and all the participants were fighting with splendid devotion and spirit. The London stock market reported a general absence of selling, and many issues closed higher.

Our grain market also had a fairly good undertone, and as we remarked yesterday, prices held exceptionally well considering the news and also, considering the depressing values that were being registered at New York. There is not a great deal of grain news. The Argentine government last night confirmed the crop in that country at only 119 million bu, which is virtually a failure, and we believe in view of the heavy shipments to date, even with a sizable carryover, exports from now on will be light, although they are estimated at about 4 million bu this week. However, farmers in that country are optimistic about next season's crops; seeding of wheat is early and soil conditions are good. The same is more or less true in the other Southern Hemisphere country, Australia, although general rains in the western sections are necessary. The government is still advising a curtailment in the acreage in view of the large available supplies. The visible is now estimated at 121 million bu, and with shipping difficulties, the outward movement is not large.

In our own country, according to the government weekly report, generally favorable conditions prevailed for the winter wheat crop, especially in much of the western belt where substantial rains occurred. It is almost an accepted fact that with normal weather from now on, the crop will finally yield better than the last government estimate. Wheat is already beginning to ripen in the north central portions of Texas, and before long harvesting operations will start.

The most encouraging factor recently has been the tremendous flour business during the last few days. According to the Northwestern Miller, the spring wheat mills sold 315% of capacity, compared with only 31% a year ago, and sales by winter wheat mills climbed to 255% of capacity, compared with only 54% the same week last year. Of course the tremendous break, and possibly also the pegged price lent encouragement to new buyers.

We did not get many weather or crop reports yet from Canada, although showers and rains fell in many districts during the past week and germination is now occurring over a widening area. Seeding of wheat is practically completed in Manitoba and about three-fourths finished in Saskatchewan, but not over the halfway mark in Alberta. The present visible supply in that country, exclusive of what remains on farms is 165 million bu greater than the preceding year.

Primary receipts were moderate at 766,000 bu versus 691,000 bu last week, and 832,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 75,000 bu.

The wheat market acted more settled, and while there was a firm undertone, traders did not feel like going too far off base. At the last July wheat closed 1¢ per bu higher, while the September future was up 3/4¢ per bu.

Corn was fractionally higher, but there was no particular feature to this market, except that the primary movement is extremely light.

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CHICAGO MERCANTILE EX.

CHICAGO May 23, 1940.

The European war news was extremely confusing today. Prime Minister Churchill only made a two-minute report in Commons, which was not regarded as particularly optimistic, because if there had been allied victories, there might have been more comment as to the counter-offensive. He did report, however, that it was too early to say what might be the result of the coastal fighting and, of course, the implications of the present situation are serious, with the Germans threatening to derange the British expeditionary force's communication from the rear in Belgium.

We believe that with the great uncertainties existing, it will be difficult to get much speculation on the bull side of the market, particularly while the crop news in this country is generally favorable. Of course, it must be recognized that the open interest in all wheat contracts has been reduced from 129 million bu to slightly less than 81 million bu, and many of those who had been playing the constructive side of the market are apparently on the side line at this time.

From the Northwest, there was one report by a leading house, claiming that almost ideal conditions for crop development had prevailed during the past two weeks. Moisture seems ample everywhere for immediate needs, and subsoil reserves have been built up in many important areas. On the whole crop conditions are decidedly favorable at this time and a strong root growth has placed crops in a favorable position to derive maximum benefits from seasonable growing weather.

In Canada, there is also reason for optimism. Since April 1st, we note that average precipitation for the various provinces has been as follows:-

	This year	Normal
Manitoba	2.55 in.	2.19 in.
Saskatchewan	1.81	1.81
Alberta	3.08	2.23

There was also good moisture in Texas, the Panhandle deriving probably the most benefit, and rains were widespread, drenching farm lands and pastures. In Kansas, there have been abundant rains recently, totaling anywhere from 1 to 2 inches, which is certainly sufficient for present needs, and winter wheat condition is generally reported improved; in fact, weather conditions are ideal at the present time for plant growth. In the southern and eastern quarters of that State, the plants are fully headed, and a good many people are raising their estimates above the yields claimed earlier by the government.

Statistically, not many changes are taking place. Since August 1st, Canada has exported 33 million bu more wheat than the season earlier, despite the war, and this is not a very good showing. At the moment, there is still available for shipment or carryover 304 million bu, compared with 135 million bu in 1939, or an excess of 169 million bu; therefore a large carryover is in prospect. Unlike during the World War, the U. S. has not participated to a large extent in the export field. Practically all the wheat and flour that was shipped since last July (and the actual amount is less than 45 million bu), has been sold under an export subsidy probably averaging about 30¢ a bushel.

Primary receipts were somewhat smaller at 671,000 bu versus 980,000 bu last week, and 1,111,000 bu last year. So far this week stocks at Kansas City and Minneapolis show a net decrease of 88,000 bu.

At one time wheat was rather firm, but finally was influenced by the decline in securities, and at the last, the July delivery declined 7/8¢ while the September wheat was only 5/8¢ lower.

There was no feature to the corn market, although values were slightly easier. The primary movement is still small and cash corn is holding well, which is no doubt the result of the loan program.

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CHICAGO May 24, 1940.

Whenever emotions become more important than fundamentals, it is difficult to trade or to have confidence. A speculator must have a rather clear outlook if he is to take a stand in the market on either the bull or the bear side. This, we believe, is the reason why the open interest has decreased about 50 million bu, because there are too many unknown factors ahead. For a long time, most people felt that the war might last for several years and that gradually, with devastation of property, loss of manpower, and wastage on the battlefield, the demand from exporting countries would increase. When suddenly German victories made it appear as a possibility for a quicker peace, liquidation took place on a vast scale. There was even fear by some as to the economic security of the Western Hemisphere, in the event that we would finally have to compete with business practices set up by totalitarian nations. This, obviously, would mean innumerable adjustments, and apparently, the selling discounts such fears.

The war news at the moment remains mixed. In some portions of France, fast-moving German armored cars are still raising havoc with property and life. Elsewhere, it is reported that some of the mechanized units are isolated and stalled for lack of fuel. However, the latter statement is not confirmed by the French military authorities.

There was not a great deal of grain news today, except that weather, on the whole, remains favorable, and the recent cool,rainy spell was exactly what was needed. TheRobinson Report onKansas spoke of the ideal crop developing weather, and while considering the possibility of rust damage still to come, figured that the State might raise about 80 million bu, and this is an upward revision from recent estimates. The Cargill Report also mentioned that Nature had again demonstrated her miraculous powers by improving to a marvelous extent the condition of winter wheat from a very low prospect in December. It mentions that under the most favorable conditions it might be possible to raise a winter wheat crop of 500 million bu. This may also have had some influence upon themarket.

There was practically no demand for American grain, but this is not surprising either,as Winnipeg remained closed, owing to the Queen's birthday.

Primary receipts were large at 1,224,000 bu versus 1,265,000 bu last week, and 1,104,000 bu last year. So far this week Kansas City, Duluth and Minneapolis stocks show a total decrease of 855,000 bu. We are not looking for any important changes in the visible supply on Monday; a year ago the decrease amounted to 825,000 bu.

Trade was on a much lighter scale, and there was nothing impressive in either direction. The stock market showed minor rallies from weakness, but there was not much in the European developments; therefore, very few incentives, except that wheat has had the appearance lately of being pretty well liquidated. At the last the July delivery was 1 1/8¢ per bu higher, while the September wheat was up the same. It is rather fortunate that wheat continues to sell above the minimum price. In soybeans, for instance, trade has been virtually stopped, and we doubt whether the farmer could sell cash beans in quantity, as elevators and merchandisers would not be in a position where they could hedge.

Corn was just a shade higher, and there was no feature to this market. The primary movement is comparatively small --only about one-third as large as a year ago.

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CHICAGO May 27, 1940.

There was no important change in European developments, although Russia had informed Italy that she would defend the Balkans against an Italian invasion, and this increased the belief in official and diplomatic circles that Italy would remain a non-belligerent. There was considerable air activity; the Royal Air Force reported that fierce fires were raging behind the German lines, and apparently bombing of German gasoline stations continues. On the other hand, Germany claims that Calais has been taken, but this news did not have a great deal of effect marketwise.

On Saturday there was considerable recovery in the stock market, and further progress took place today . The general feeling is that the recent decline may have discounted a good deal in the situation, and that even with a possible German victory there was bound to be some value to securities. With Mr. Roosevelt's speech last night regarded as inflationary, at least to the extent that great expenditures will take place, there must have been buying today of issues that might be affected by greater armament, although volume of trade was not particularly large.

Grains opened firm, but selling followed immediately, with reports fromTexas that some of the earliest fields were being harvested; in fact, a few threshing returns indicated fairly good yields. It is possible that that State may produce anywhere from 27 to 30 million bu, so recent moisture has brought about improvement.

World shipments were quite heavy this week, totaling almost 11 million bu, outside of Australia which is not included in these figures. More than 6 million bu came from North America, so apparently Canada will be called upon to do most of the business for the time being. Despite critical European developments, the demand recently has been very slow, and the fact that prices lately have favored buyers has apparently put England at her ease, particularly as Canadian farmers are planning to seed an additional million acres to wheat this coming season. Also crop prospects in Argentina and Australia are favorable to the extent that seeding weather on the whole is good. Lower freight rates are quoted for international shipping to Continental countries, but Holland, Belgium, and Denmark are more influenced by invasion than by supply and demand. Temporarily this is bound to mean smaller imports into those countries that were formerly quite important, Whether supplies will be needed later on for refugees remains to be seen. We lean to the belief that this will come before long, as thousands of people have been made homeless, and very likely the relief societies will dosomething to come to their aid, with acre after acre no longer being worked.

In our Central States, wheat progress was good, and weather has been ideal for plant development; many people commented on this fact, having made trips to nearby points over the weekend. Not much was heard from the Southwest, although conditions down there seem to be good also, with rather cool, wet weather prevailing.

When the visible supply was posted it showed a large decrease, amounting to nearly 4 million bu. However, flour business lately was tremendous with a big break in the market; therefore, it is not surprising that this occurred. Chicago stocks increased 286,000 bu. Apparently wheat was brought here for milling purposes. The primary movement today was small.

At the last wheat showed a decline of about 1¢ per bu from the previous close.

Corn did very little; the undertone was firm, and this is apparently due to the light receipts. Also the visible supply decreased over 4 million bu, and it seems that the loan policy is creating an artificial situation in this cereal.

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CHICAGO May 28, 1940.

The war news was extremely grave, particularly with the capitulation of Belgium; furthermore, British experts have emphasized that it is becoming increasingly difficult to supply the allied forces in the North of France because of German capture or destruction of the channel ports. While it is probable that the allies are still in possession of Calais, it is almost impossible to get ships in or out because of the tremendous damage that has been sustained. There is some talk that heads of the Belgian army will appoint leaders and take action against their own monarch, in order to organize a provisional government and thus continue the fight, despite the reports of unconditional surrender. Meanwhile, Britain was gathering her forces for a supreme effort to break the German ring of steel around the expeditionary force at Flanders, which is now deprived of the support of the Belgian army. It will be no easy task to get the British army out of Belgium, and this is another momentous decision that confronts London.

It was not surprising, therefore, that all speculative markets opened lower today. However, it was a different kind of liquidation than we had previously, and the chances are that many people had been prepared for the allied reverses. Wheat opened a couple of cents lower but never held anywhere near the minimum price level, and we would say, on the whole, that trade was extremely light. As a matter of fact, speculators are in a quandary; they do not know exactly what to do right now, as there are still many unknowns in the situation. Even if there should be a final German victory, it is difficult to state what form of independence the present belligerents would enjoy; nor can anybody tell what the economic situation would be, or how the exporting nations would be affected. Some believe that the United States will shortly be called upon to carry on tremendous work in the feeding of homeless and destitute refugees in Europe. This, of course, might help us with our surplus problem, particularly as the prospects for the next crop have been greatly enhanced by recent moisture. It is true, there is the threat of rust in parts of the Southwest, although conservative people are not taking very much stock in this as yet.

There is not very much crop news coming from the Southwest, and this is always more or less encouraging, because when conditions look bad there are a great numberof people who comment about it. As a matter of fact the recent moisture has been heartening to the farmer, and again overnight wonderful rains were reported in the Texas Panhandle, even extending to other parts of the State, while Oklahoma and Kansas were also benefited at numerous points.

Primary receipts were fairly moderate for the time of the year, amounting to 897,000 bu; this compares with 958,000 bu last week, while a year ago there was a holiday. Kansas City and Minneapolis stocks so far this week show a net decrease of 40,000 bu.

As we mentioned earlier, the market did not have a poor undertone; in fact, we regard it as showing that liquidation recently has been very thorough. As a matter of fact, the open interest from the high point on May 8th has been reduced about 53 million bu, and apparently a good part of the urgent selling took place previously. It is also a fact that business is on a much smaller scale, and yesterday, for instance, the turnover in the wheat pit was less than 10 million bu, but it was probably somewhat larger today because of the European news, but yet far from satisfactory in contrast to the trade that we had a few weeks ago. At the last July wheat showed a decline of 3/4¢ per bu, while the September delivery was down 1/2¢.

Corn was a shade lower, but there was no feature. The same type of news continues in this pit. Apparently new incentives are needed. Yesterday the total trade was less than 1 1/2 million bu, and this suggests that the outside speculator has lost interest, at least for the time being.

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CHICAGO May 29, 1940

The European news was no worse, and it was reported that the British Expeditionary Force is still fighting as a unit trying to get the trapped troops out of Flanders, as a result of the recent Belgian surrender. In any event, the allied soldiers were putting up a great fight, and had not lost their cohesion. The German High Command does not report much about its tremendous losses of both men and material, but apparently the sacrifices which they have made lately must have been great in bringing about these swift advances through France. Meanwhile, there is a determination on part of Russia to maintain the Balkan status quo, and this we believe is one reason why Italy has remained neutral during this period.

When our market opened it paid very little attention to European developments. Weather on the whole has been satisfactory, and cool temperatures, together with recent rains, must have added many bushels to the Southwestern crops. It is true that in a few places fear of rust is expressed, but in the long weekly report issued by the Government, we fail to find any mention made of this factor, and since the Government has many agents reporting to it, we take this as a rather optimistic sign. We ourselves are getting satisfactory reports from Oklahoma. Of course, the condition is not uniform throughout the State, but progress has been mostly good -- the heads are filling rapidly and it is very likely that final figures will exceed earlier estimates.

In Europe, nobody can tell much about prospects of the crop. It was not too good a picture before the conflict was intensified, and undoubtedly, tremendous property damage has taken place, particularly in Belgium, Holland, and parts of France, although it would be difficult to hazard even a percentage guess at this time. Possibly a more important factor is the restrictions that have been brought about by the recent invasions. The Argentine outlets, for instance, have shrunk; this is not so important as it affects their wheat surplus, since remaining supplies are down to small proportions, yet the government has passed a minimum price on trading, which is evidence of the fact that the export demand may be greatly curtailed. There was a good deal of wheat sold recently to Belgium, and of course, the surrender of that country makes matters uncertain. Possibly the grain on the high seas will have to be diverted to other countries.

Despite some let-up in our domestic flour business, the Northwestern Miller gives optimistic figures of the spring wheat mills; for last week, sales were 138% of capacity, which was a drop from 315% a week earlier, but it was only 40% a year ago. In the Southwest, sales were 102% of capacity, compared with 255% the previous week, and only 55% last year. According to the same informant, millers generally believe that large-scale purchasing is over now until the new crop year. If this is the case, we shall not have that support, which was so helpful during the period of liquidation.

As yet there is not a great deal of confidence even though prices were somewhat higher, and the open interest is down to practically 76 million bu, a reduction of 681,000 bu from the previous session.

The fact that Winnipeg was so very strong also had some influence here. We heard very little from Canada, except that the government may have been reluctant to sell wheat at these prices. On the other hand, the export demand was reported as being quite light, although clearances have been heavy recently.

Primary receipts were very light today - 398,000 bu, compared with 766,000 bu last week, and 1,630,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 27,000 bu.

At the last our market showed an advance of 1/8¢ a bu for the July delivery, while the September future was up 3/8¢ a bu.

Trade in corn was light, and there seems to be no immediate trend. The primary movement is small and would probably be even smaller were it not for the fact that some of the cash corn that was recently sold to Europe under subsidy is passing through the terminals and is thus included in the receipts, although much of it is being shipped right out.

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CHICAGO May 31, 1940.

Over the holiday, the evacuation of the allied armies of Flanders took place with anti-aircraft guns, bombing planes and the British navy assisting in the operations; and from a military point of view, the valiance with which the soldiers carried out orders and the general technique will probably go down in history as a remarkable feat, particularly as enemy casualities in the campaign had also been tremendous. The Italian situation is about the same as heretofore, although in England it is figured a 3 to 1 chance that Mussolini will throw his aid to the Germans within the next few weeks. The French claim they have recaptured the Avveyville region at the mouth of the River Somme, inflicting heavy losses on the enemy in a fierce counter-thrust.

One able writer and analyst has made the followingstatement:

> "The buyer or seller of commodities or securities who is willing to stake any large percentage of his estate on any type of outcome for the present war is gambling with unparalleled recklessness."

We believe this to be correct, and find that a good many people are extremely cautious. In wheat, the open interest continues to diminish, with only a bout 75 million bu of contracts remaining open. Of course, there is not the same enthusiasm for investment purchases, particularly as the recent cool and wet weather has added bushel after bushel to the crop, and the outlook is considerably better than it has been at anytime since last December. Moreover, with the invasion of Denmark, Holland, Belgium, and the Scandinavian countries, one naturally asks where the large wheat demand should arise, even admitting that thousands of people have been made destitute and millions of acres have been taken out of production as a result of the conflict.

England, in our opinion, will turn more and more to Canada for supplies, and of course with the present visible about 165 million bu more than a year ago, there is plenty of wheat still available for the mother country. Since August 1st, total world shipments from all countries have amounted to only 409 million bu.This does not include Australian clearances since March 1st, but even if we add 30 million bu to the figure just given, it would indicate that importers' requirements will probably be smaller than the revised figure of Broomhall: namely, 528 million bu for the entire year; only nine weeks remain until the new world fiscal crop year.

There have been some complaints that moisture deficiency existed in Saskatchewan, although relief was afforded during the last 48 hours, and on the whole, weather and soil conditions in Canada are not bad, although could be improved upon. Actually, Sanford Evans claims that,from his reports covering 368 prairie points in Western Canada, indicated condition is better than at this time last year.

In our own country, moisture deficiency has been pretty generally eliminated, with the possible exception of Nebraska and South Dakota, and this, of course, is beneficial for corn and smaller grains, as well as for wheat. The Southwestern Miller is quoted on the broadtape as follows: "Conservative estimates for Kansas are now at a minimum of 80 million bu of wheat, and some of the more optimistic observers see the possibility of a yield even approaching the 100 million bu mark. At the start of the spring season, the official estimate for Kansas was 59 1/2 million bu." They go on to say, "There is no longer concern over the backward growth of the plant, as weather conditions of recent weeks have largely corrected this situation."

(OVER)

Primary receipts were 944,000 bu including the holiday; this compares with 1,224,000 bu last week, and 809,000 bu last year. Kansas City, Duluth and Minneapolis stocks show a total decrease so far this week of 1,035,000 bu. There will probably be a pretty fair decrease in the visible supply again on Monday; a year ago there was a shrinkage of 1,184,000 bu.

With weather so good it was not easy to find new buyers. On the other hand, about the only pressure came from scattered liquidation, which was mostly in small lots. At the last the July wheat declined 2¢ per bu, while the September future was off 1 7/8¢.

Corn had no gimp; in fact December corn at one time hit the limit. The same is true of July oats and December rye, while soybeans have been on the limit for sometime. This is rather unfortunate for the farmers since they cannot sell their grain to good advantage when hedging facilities have become impaired.

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CHICAGO June 3, 1940.

There was very little war news over the week-end to affect our grain markets. The French claim that German losses in twenty-three days included nearly 600,000 casualties, and from one-third to one-half her first line planes. In any event, there was a pause in the German offensive, but during the session today a series of German bombings from a very high altitude were reported, although the military objectives in France were apparently missed either as a result of poor aiming, or else because of the tremendous height. The exact status of Italy is still unknown, but Mussolini may enlighten the world when he makes his speech tomorrow.

Our market opened slightly lower and was influenced more by the continuation of favorable weather, and the map suggests that there will be showers in the Northwest tonight, which, of course, would be very beneficial. There was also a chance for rains, or showers, for the Central West and Southwest, and most people who made trips over the week-end came back in a rather optimistic frame of mind, although there were a few exceptions.

The government weekly resume claims that the domestic winter wheat crop continued to make generally favorable progress east of the Mississippi river and heading was reported in southern Indiana and Illinois. Within a short time now we shall hear from other of the experts who have not yet reported on indicated yields, but it is almost a certainty that the combined crop of winter and spring wheat will be above domestic requirements. Since the carryover July 1, 1940, is tentatively placed at 288 million bu, there should be enough for all purposes, particularly with the export situation rather beclouded because of the invasion of various European countries, and since it might be difficult to sell to Europe even under subsidy. The largest single importer is still England, but inasmuch as she has just purchased 50 million bu of Canadian wheat, it is not likely that purchases in the U. S. will amount to much unless some sort of trade agreement is entered into, and we have heard of nothing to that effect in the past few weeks. The German occupation of the low European countries has naturally reduced the export outlet for North American wheat. During the first nine months of the current season, our shipments of wheat and flour to those countries totaled about 16 million bu, while the Canadian exports fromAugust to end of March, or in other words, during 8 months, reached 25 1/2 million bu. From now on, we do not see how North America can continue this business.

A number of grain ships destined for Holland and Belgium have been detained for some time by the British Contraband Control, possibly in anticipation of Germany's latest coup. We do not know just where these ships have been diverted. There is confirmation of a wheat shortage in Spain, where already bread rationing has been introduced. To tide her over a difficult period, Portugal has placed 10,000 tons of wheat and 6,000 tons of corn at the disposal of her neighbor, but much larger quantities will be required before long. However, Spain is considered as a likely ally of Italy, should the latter country join Germany, and, therefore, not many of the exporting countries are anxious to enter into trade negotiations with Spain under these circumstances. Broomhall points out that there are a great number of refugees in England and in France, so that increased flour production will probably take place. He thinks that it is impossible to estimate the allies' wheat requirements because of this situation.

The visible supply of wheat decreased 1,293,000 bu or much the same as last year. Total stocks are close to 94 million bu, or practically 36 million bu more than in 1939. Chicago stocks decreased 257,000 bu; there are still 4 million bu locally held. Today's primary receipts were very small --less than half of what they were a year ago.

There was no feature of importance in the wheat market; with nice moisture in parts of the northwest buying investments lagged, and milling demand seems to be considerably more quiet than recently. July and September wheat closed 1/8¢ per bu higher.

Corn was firm; the visible supply decreased about 2 million bu; cash corn is strongly held, and the loan policy continues to exert an artificial, but bullish sentiment. Several of the rye futures went to the lower trading limits, and unlesssome change takes place it will finally react to the detriment of the farmer, whose hedging market is being damaged.

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CHICAGO June 4, 1940.

The trade today was mostly concerned with the estimates that were given out by the private crop reporters. Everyone has known that since last December there has been improvement. However, the government's prognosis was so pessimistic at the end of 1939 that many were concerned with the amount of recovery that might take place. The official condition of winter wheat was only 55% of normal, or the lowest ever recorded. The only offset was that they showed 45 million acres had been sown, and it is generally a good sign when wheat is in the ground, because Nature is so often provident. In order to clarify the picture, we give comparisons of the present indicated crop and carryover, together with the figures of 1939 as follows:

	1939		1940 (indicated)	
Winter wheat	563	million bu	489	million bu.
Spring "	192	"	234	"
Carryover	254	"	288	"
Total	1,009	"	1,011	"

Of course, we appreciate that the winter wheat crop is not yet made, Also, it must be recognized that certain hazards face the spring wheat production, as it will be several months before that crop is harvested. Yet, we have also seen many years when the final returns were larger than the June estimates, and if present prospects are maintained, we shall actually have more than a billion bushels of wheat to deal with--a slight increase over the 1939 figures.

Today's reports were construed as somewhat bearish, and the fact that futures at Minneapolis went to the lower limits, which meant the cessation of trading, is also discouraging, particularly as we are on the eve of a movement and before long hedges must be absorbed. On the other hand, some people figure that there may be certain offsets, particularly if our government finally makes purchases of flour for the Red Cross or other relief societies in view of the great distress in Europe. Also, with the comparatively high loan prices established by the government, a good deal of wheat will be impounded this coming season.

The foreign news was interesting, but it had very little market effect. Churchill, in Commons, described the rapid retreat which saved the British and French armies, and this will probably go down in history as one of the greatest military achievements. It is also to the credit of General Weygand that this was made possible. All told, about 335,000 men were rescued fromFlanders. While mobilization of one kind or another continued in Italy, there was no important announcement after the cabinet meeting with Premier Mussolini, but the fact that certain sailing schedules had been resumed was construed in some quarters to mean that Italy was not as belligerent as the tone of the newspapers had indicated.

Primary receipts were just moderate at 754,000 bu compared with 897,000 bu last week, and 1,093,000 bu last year. So far this week Kansas City and Minneapolis stocks show a net increase of 61,000 bu.

There was very little feature to our market today; good moisture overnight had been reported, principally in the Northwest, also in Nebraska, and a few other points. This may have had something to do with the small liquidating sales that came into the pit. At times Minneapolis futures were down to the minimum price level, which meant that hedging transactions were restricted. One of the elevators in the Northwest told us that "to-arrive" bids on wheat tonight would probably be 2¢ under the spot market. Therefore, it can be seen that the farmer may suffer the most from the artificial situation should it continue. Minneapolis September wheat, as well as the December, closed a little above the limit. Chicago futures also reacted from the lows of the day to close 3/4¢ per bu down for the July future, while the September wheat was off 5/8¢ per bu.

Corn was slightly lower. There was no particular feature; the primary movement was very large, but we believe that quite a little corn is coming to terminals on its way through for export shipment, but we have no exact figures on these transactions.

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CHICAGO June 5, 1940.

The trade continued to ponder over the figures that were released yesterday by the private experts, and in some quarters it was thought that a possible spring wheat yield of 234 million bu might be a little high. However, when it is considered that this really means less than 12 bu an acre and that the moisture situation is very favorable, one must forget that there have been seven or eight crop failures in the Northwest in recent times, and possibly we are going back to more normal conditions. One might be hundreds of miles from the scene and yet gain a fairly accurate impression of crop possibilities by merely studying the moisture. For the four Northwestern States, we give the following comparisons with last year:

Average Precipitation (April 1 to May 31, inclusive)	1940	1939
Minnesota -	4.13 inches	3.27 inches
South Dakota -	2.71	3.75
North Dakota -	4.04	2.32
Montana -	3.82	2.50

With the exception of South Dakota, which may raise 30 million bu, precipitation seems to be considerably better than it was last year, when a crop of 192 million bu was harvested.

The optimism is not confined solely to the spring wheat districts, however. A well known house in Kansas City sent out a resume that had been made after an 1,800 mile trip through Oklahoma, the Panhandle of Texas, and Kansas as far west as the Colorado line and north as far as Salina. The writer claims that it was a real pleasure to drive in the country and to see vegetation every place. He regards it as likely that Oklahoma will raise over 40 million bu, and this is also confirmed by our own people who do business inthat State and who are well informed. Many consider it possible that Kansas may raise anywhere from 85 million to 100 million bu,and this is considerable improvement over conditions that prevailed some weeks ago. Of course, recent weather has been almost perfect, and moisture conditions were also splendid.

There was very little buying power this morning, and the same was true in other domestic markets also. Minneapolis futures all went to the minimum price levels and remained there. At one time July wheat in Chicago touched 78 1/2¢, which is the lowest price at which trading is permissible, although a slight recovery took place shortly afterwards.

One hears practically nothing of export business, but we are prepared to see very unusual conditions in the trade continue, as most of the Canadian clearances will result from private sales made between the Canadian and British governments. Since Canada also has a prospect of raising in excess of 400 million bu, we should imagine that finishing up with a record carryover, England would not have to worry over future supplies.

The war news had very little influence marketwise, although securities were lower. The second German offensive uponFrance had apparently stabted, but on the other hand, Italy remains non-belligerent, insofar as actual fighting is concerned, and it is now reported that British coal shipments to Italy have been resumed.

Primary receipts today were very light, being only 333,000 bu versus 398,000 bu last week and 864,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 48,000 bu. The open interest yesterday declined slightly, with about 74 million bu of contracts still remaining open. This is the lowest in weeks, and demonstrates general indifference on part of the public.

Activity in the wheat market remains at rather low ebb, with the minimum permissible prices acting as a great deterrent for any speculative buying. At the close July wheat was 1 7/8¢ per bu lower, and the September 1 3/4¢ down.

While weakness was expressed in corn during part of the session, the undertone was firmer than in the other cereals. All rye futures practically throughout the day were at minimum prices, although near the close the December future had a slight rally.

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CHICAGO June 6, 1940.

There was very little grain news overnight, and in fact, the statistical position of wheat has not changed much in some time. In the Southern Hemisphere, preparations are being made for the next crop, and Argentine conditions are generally favorable for both seeding and germination. Shipments of wheat and flour from that country continue substantial and lead to the belief that last year's crop was underestimated. In Australia, dry weather has slowed up field work, and in fact, seeding operations have come to a complete standstill in a few sections. However, in the western areas that were mostly affected, the work generally is done between April and the end of June, and in some localities even July, so that if rains are received shortly, it is still possible that acreage will not be materially reduced by the present dryness. There is still plenty of wheat on hand, the visible supply being 119 million bu compared with only 34 million bu a year ago.

In another eight weeks the world's fiscal year ends. The European demand, despite war, has been disappointing. Canada has not done particularly well, considering that there had been a crop failure in the Argentine, and also considering that shipments fromAustralia were hindered because of the long haul. In addition to this, the U.S., even with the subsidy, has cleared only 44 million bu of wheat and flour since last July, and these factors were all in favor of a large export trade from Canada, but yet, we find that the latter country has placed only 34 million bu more wheat and flour afloat than the year before. At the present time the Canadian visible is 166 million bu greater than in 1939, and it looks very much as though the carryover on August 1st would be somewhere around 250 million bu. A quantity this large might give the government some concern in peacetime, although with the war continuing, they apparently take this situation as a matter of course. According to Sanford Evans, development and growth of the new crop are proceeding favorably, but it is indicated that weeds are troublesome in the dry northern parts of Manitoba, and eastern Saskatchewan. There is at the present time, 293 million bu of wheat available for export and carryover, but we doubt very much, even with the large sale recently accomplished, if Canada will clear on an average 6 million bu a week during the remaining eight weeks until August 1st. All this points to a rather poor demand for U. S. varieties, except as some may be needed for blending purposes, but even then, we doubt whether sales can be made except by the application of a heavy subsidy.

The trade remains extremely indifferent. The open interest declined again yesterday by 1,215,000 bu, with total transactions under the 73 million bu mark.

The European war news has had very little effect in recent sessions. The French defense lines seem to be holding pretty well, although German infantry, as well as tanks, have smashed through part of the line, although were repulsed later by the rear guard. Bombing raids continued last night by both sides, but nothing very decisive was reported. Italy continues in a status quo position, with tremendous efforts being made by our President and the Pope, both expressing the hope that Italy will stay out of the war.

Primaries were rather small today, about half as large as last year; a week ago there was a holiday. Kansas City and Minneapolis stocks so far this week show a total decrease of 241,000 bu.

At times the market turned weak, with optimistic crop reports coming from the Southwest where threshing returns indicated better yields than had been looked for. There had also been good rains in parts of Nebraska, and fine moisture in the Northwest. However, small buying orders here prevented minimum prices from being reached, even though Minneapolis futures remain on the peg. At one time Kansas City July and September did likewise. Whether hedging pressure will change the picture remains to be seen.

Corn was steady. There was no important feature to the market; primaries were fairly large, but undoubtedly there is a considerable amount of corn in transit for export shipment on the recent subsidy sales.

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CHICAGO June 7, 1940.

The situation in wheat offers little change from day to day. A great many people are of the opinion that as long as the war continues wheat prices will not be excessively low, and no doubt we would have a better buying power here if it were not for the minimum prices, which discourage trade. Of course, no one is looking for any big advance, such as we had during the World War period (1914-18), when gradually $3.00 wheat became a reality, because world's supplies at the disposal of importing countries are so much larger now that the picture is entirely changed.

It is rather difficult to determine just what the European import requirements will be this coming season. For one thing, we know that half of Norway is in German hands; Holland and Belgium are entirely under German domination, and the latter two countries are blockaded pretty well by the British fleet. A good number of grain boats had been diverted to the United Kingdom after the invasion of the Low Countries, but unquestionably these extra reserves will be needed for the refugee population in France andEngland. We do know that Spain has recently purchased substantial quantities in Argentina; Greece has been in the market for Australian wheat, while Italy has taken further quantities fromRumania and Hungary. There is another factor that beclouds the picture: namely, that with censorship being exercised in respect to weather and crop news, nobody can tell with any degree of accuracy what the yields will be in various European countries. Furthermore, the destruction by bombing has been so severe that as yet the actual number of acres that have been affected cannot be computed in a satisfactory way. Broomhall tells us that, despite rather low temperatures in Southeastern Europe in the early days of May, the winter and spring crops in that important producing region are making better progress, while the news from Italy is uniformly satisfactory. There is also improving comment being received fromSpain and Portugal and reason to believe that the arrears of plant development in those countries are being rapidly overtaken. Of course, France, with the fighting going on in that country may have to import larger quantities, but very likely demand would fall first upon Canadian reserves because of their relative cheapness as compared to our wheat. It is very possible that buying of flour, as well as other foods, for European relief will be a factor before many weeks pass.

The weather in our own country is satisfactory almost everywhere. Heavy rains occurred in parts of the Southwest and good moisture was reported in the Northwest. There are some complaints that damage in winter wheat may occur from infestation of rust, but on the whole, it looks optimistic for good yields, particularly when it is considered that the plant had gotten off to a poor start last fall.

The European political situation was not greatly changed from yesterday. The French defense lines were holding pretty well, and a good many German tanks had been captured, or destroyed by artillery and airplanes, apparently cannons piercing the top of these motorized units, thus making them incapable of continuing. The battle progress was relatively favorable to the allies, according to some of the analysts. This was true, despite certain penetrations further into France, which apparently were not regarded as very serious.

Primary receipts were light at 535,000 bu versus 944,000 bu last week, and 895,000 bu last year. So far this week Kansas City, Duluth and Minneapolis stocks show a total decrease of 953,000 bu. We expect a fair-sized shrinkage in the visible supply on Monday; a year ago it increased 1,625,000 bu.

Trade was slow early, but picked up toward the last with the general opinion being that liquidation had been very thorough, and the open interest was reduced to 71 1/2 million bu. This means that the technical position of the market seems to be pretty sound, When rye futures were lifted from the minimum price level, which had existed for several days, and when Minneapolis wheat futures also followed suit, there was general buying with the result that the July wheat closed 1 3/8¢ per bu higher, while the September future was 1 1/2¢ per bu up.

Corn was helped by the strength in wheat; the nearby futures were quite firm, but there was more pressure on the December, as people regard the final situation in corn as somewhat bearish if we get fair crops, considering the enormous quantities that are being carried over, even though impounded.

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CHICAGO June 10, 1940.

The only important grain news overnight was the moisture situation, with heavy rains having fallen generally. The Southwest was visited with as much as 3 inches of rain at Salina , and practically the same amount at Wichita. This extended also to the western parts of Kansas, and further south, with Dallas reporting heavy rains, and possibly too much as harvesting operations have already commenced there. In the Texas Panhandle, where the altitude is higher, moisture was probably beneficial. We believe that very likely there will be lower protein wheat raised now than if weather had remained dry. In the Northwest, there was also moisture, and on the whole crop prospects seem to be very good at this time. Grain is heading out as far North as the central Ohio valley; and in Kansas, the southern counties will probably harvest within a week or ten days. This, of course, depends upon future weather, as wet fields will undoubtedly cause some delay, as has already been the case in Texas. Recent moisture, according to the government, has improved the crop in Oklahoma.

After the close of the market today we shall have the official estimate of the winter wheat crop, and very likely it will confirm reports of the experts, where yields were raised about 30 million bu over the government's figures of a month ago.

During the early part of the session, New York securities were lower, and the European political news not very favorable from point of view of the Allies. This caused some selling in grains, but it was quite apparent that a large number of hedges had to be covered against government relief purchases of flour, and in some quarters it was considered likely that one million barrels were involved, which would mean about 4 1/2 million bu of wheat. This had a sustaining influence here, as well as in Minneapolis, where the futures market rallied from the minimum level. Before noon, Chicago time, trade in grains was rather light awaiting Mussolini's speech. At about the stroke of twelve, it was learned that Italy had declared war against France and Great Britain, and immediately there was a general rally in all speculative markets.

There are so many uncertainties at the moment that both social and economic concepts are undergoing great changes almost hourly. Very few people had looked for the buying wave in stocks, except that it was later explained it might mean larger shipments from the United States. This apparently figured in the upturn. A sharp rally took place in wheat, and with the open interest having been reduced tremendously in the past month, the market was in a better position to respond to new buying; also, reports of rust from the Southwest had their effect. During the past week, 51 cars of new wheat were received at Fort Worth. It was all high in quality and test weight, but most of it is going into storage indicating that tremendous amounts will be impounded again this season. On the other hand, we feel there will be enough non-compliance farmers so that there will be considerable hedging, if the market permits.

Primary receipts today ~~were~~ 409,000 bu, or practically the same as they were last week, and this compares with 1,213,000 bu last year. When the visible supply was posted, it showed a decrease of 3,284,000 bu, leaving a total of 91 1/2 million bu at the various points. This compares with less than 60 million bu on hand last year, similar date. Chicago stocks decreased 144,000 bu. Trade became rather active, and while a better sentiment exists, nobody can figure out the future, except that war in the past has generally meant bullish activity. Whether we shall be able to export a great deal remains to be seen. At the last, July wheat was 7/8¢ higher, while the September future advanced 1¢ a bu.

Corn was slightly higher and recovered from weakness when the leading cereal improved. The primary movement seems fairly large, but undoubtedly a part of this represents transit corn which will be shortly exported. Rye failed to hold the rally; the active months closed at the lower limits, with apparently an insufficient demand to bring about permanent improvement.

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CHICAGO June 11, 1940.

In less than three weeks the United States will start its new wheat crop year. The government report issued late yesterday indicates a combined winter and spring wheat yield of 728 million bu. Judging from some of the figures that were mentioned, namely, 76 million bu for Kansas, and 38 million bu for Oklahoma, there should be no difficulty in attaining these results. The present weather in the Southwest --plentiful moisture and low temperatures-- seems ideal, and while a few rust reports are current, it is the type of weather that is not propitious for the spreading of this disease; in fact, many people are commenting that this seems to be good filling weather, although in some of the most southern districts harvesting operations have been impeded. If we add the probable carryover of 288 million bu to the prospective crop, we shall have to deal with about 1016 million bu during the 1940-41 season. This is certainly more than anyone expected a few weeks ago.

We note that the President has asked Congress for an appropriation of $50 million in order to carry on Red Cross refugee work in Europe. Undoubtedly, this amount will be granted, and very likely it will include the work of providing clothing, food, and medical supplies to the distressed peoples of Europe. Also, there is the strong possibility that American surplus farm products will be exported from this country. This will afford some relief to our surplus problem; when we study the list of possible European importers we fail to see any who are likely to take large quantities during the coming season. Figures are not yet available for the current year, but in glancing at those for the 1938-39 season, when Europe imported 425 million bu of wheat and flour, we see that the United Kingdom took 229 million bu, or more than half of the total. The next largest importer was Germany, which took 43 million bu, and we see very little chance, under present conditions, of repeating this as long as the allied blockade remains in effect. The third largest importer was Belgium and Luxemburg, which took 40 million bu, and these countries are also eliminated since they are under German domination. Fourth on the list is the Netherlands, which took 30 million bu, and for the same reasons, their imports, regardless of requirements, will be pared down considerably.

When we hear so often that various countries need food and that they will undoubtedly take our wheat, particularly in wartime, we try to figure out which of the countries are referred to. In going down the list we do not find anything that is particularly encouraging should the exporting countries decide that they have to sell their grain in large volume. If Canada carries over 250 million bu, which seems more than likely, she could supply practically all of England's needs for the next 12 months, and have the entire next crop for domestic consumption and surplus. At the moment it looks as though Canada might raise 425 million bu, considering the large acreage under cultivation, and with world statistics such as they are, we do not see any immediate chance for very high prices.

The European war news was very little changed overnight, except that the German drive brought the offensive closer to Paris. The Allies were heartened by President Roosevelt's speech last night in which he gave his assurance that material supplies will be sent, while the Italians regarded it as the gravest criticism of Italy that has ever been received from the head of a State which was not at war with it. From a military point of view, it is pointed out that the French armies are still intact, despite the setbacks they have encountered.

(OVER)

Primary receipts were exceedingly light at only 352,000 bu compared with 754,000 bu last week, and 1,213,000 bu last year. Of course, the season is late, and it will, therefore, take a little more time to build up reserves from the new crop. So far this week Kansas City and Minneapolis stocks show a total decrease of 115,000 bu.

Speculative markets all displayed a better undertone. We believe that strength in the stock market, as well as higher prices at Winnipeg, gave encouragement to locals, who at times were fair buyers. Trade was of fair proportions, and with the open interest down to 70 million bu, many believe that liquidation has been so thorough that with any increased buying the market should do better. At the last July wheat showed an advance of 2 1/8¢ per bu, while the September future advanced 2 3/8¢.

Trade in corn remains light; even yesterday with the entry of Italy into the war, less than 3 million bu were traded in. The market, however, was higher influenced by the strength in wheat.

There was more encouragement in rye, with all three futures advancing above the minimum levels.

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June 12, 1940.

After the close of the market yesterday, the directors took action to terminate the minimum price level on futures trades, effective Friday morning. It was felt that sufficient confidence had been restored that there would be no danger in letting the markets fluctuate again according to the laws of supply and demand, and apparently, there is the need for freedom in order that farmers may be able to market the season's crops in the usual way.

The writer remembers having been on the Paris Bourse in 1932, when everything was terribly depressed. Some French peasants broke into the exchange room and erased the wheat quotations from the blackboard, thinking that the depression had been caused because of the low chalk marks that had been posted. Unfortunately, in their misery they did not realize that it was the actual conditions which made it necessary to register these low prices, and we believe similarly in this country that an intelligent survey has shown that the 34¢ break in wheat, which occurred in such short order, was largely the result of European conditions. It was probably attributable to the temporary disappearance of Scandinavian, Dutch, Danish, and Belgium markets, which had suddenly brought the international statistical position into bearish relief. Germany's terrific thrust had seriously affected the international trade in grain. Broomhall points out that in the cereal year, ended July 31, 1939, Denmark, Norway, Holland and Belgium together imported about 88 million bu of wheat and flour, also 64 million bu of corn, and large quantities of other cereals, oilcakes, seeds, and various other agricultural products.

The trade had apparently not been prepared for such a situation. Most people reckoned that because wheat had sold very high during the World War, we might have a similar situation at the present time, but apparently, the exporting countries, with large surpluses, found that a large percentage of their markets had been suddenly taken away. We pointed out that one of the chief reasons for the sharp advance in U. S. wheat prices from 1914 to 1918 was because Russia had been removed as an exporter and that, therefore, an important demand had sprung up for our grain. During that period Argentine, Australian and Canadian surpluses had not yet become important enough to be a real factor, and it was only the high price brought about during the war that finally stimulated huge production, which has created the wheat problems ever since.

We feel in a general way that removal of these minimum prices should restore confidence, and it is also apparent that a very large amount of wheat will undoubtedly go into the loan; but still inflation and other factors which may bring about higher prices in securities, or in various commodities, may have less influence upon wheat if this article is overproduced. Therefore, the statistical position should never be forgotten, particularly as the world's carryover will probably be the largest that it has ever been at anytime in history.

Today's primary movement was extremely small --only 253,000 bu versus 333,000 bu last week, and 896,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 211,000 bu. The season being late, it will take some time yet before we have a better movement to terminal markets.

Generally speaking, crop news seems satisfactory, despite the heavy rains in the winter wheat areas. The government weekly claims that last week was favorable for the crop. The plants are reported as headed as far North as New York and the lower lake regions, and mostly well headed in the Ohio valley. Also good growing weather prevails throughout the spring wheat region, and satisfactory progress was reported rather general in Minnesota, North Dakota, and Montana. Some express disappointment that our wheat market did not respond more to the better flour buying which had taken place, and also to the great strength in securities. At the last July wheat was down 1¢ per bu, while the September future closed 1 3/8¢ lower.

The one encouraging feature to wheat investors is the fact that the open interest is less than 69 million bu; therefore, the market should be in a position to respond to any bullish news.

Corn was fractionally lower, trade was again light, and we do not see any important trend at this time.

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CHICAGO June 13, 1940.

It is often difficult to guess the long-time wheat trend on account of the many changes which continually take place in the world, and this is truer now than ever before, because events are occurring hourly that may influence our social and economic concepts, for which past precedant appears to be no guide. However, certain other general tendencies are as regular as clockwork: namely, at the close of the season, or just before July 1st, our stocks usually reach a low point and then gradually increase, frequently attaining their maximum in November, although sometimes a little earlier. In the same proportion as stocks increase, very often the open trades gain, and naturally more wheat will have to be hedged, for which buyers, who at one price or another always appear, will have to be found. Therefore, it is interesting to note what happened during the last ten years.

The lowest open interest for the year 1930 was in July, amounting to 104,820,000 bu, the maximum in November being 188,527,000 bu:

(000 omitted)

Minimum			Maximum thereafter	
1931	May	70,437 bu	Nov.	133,912 bu
1932	July	101,409	Oct.	174,752
1933	Mar	122,550	July	199,711
1934	May	88,669	Aug.	165,864
1935	July	68,181	Nov.	130,883
1936	June	53,568	Nov.	102,555
1937	June	83,871	Aug.	141,150
1938	May	64,209	Aug.	121,976
1939	May	65,400	Aug.	99,320

About the same is occurring this year, although our visible supply is large, considering that this is the tail end of the season, having amounted to 90 million bu last Monday. As soon as the new crop starts to move, which will be in a few weeks (at least it will come to terminals in commercial volume), we expect that hedges will increase and that the open interest will also gain. Total contracts at the close of business yesterday were down to 68 million bu, the lowest in many months, and this suggests that possibly all of the wheat in the country was not hedged this year, as we doubt if the sales of flour for future delivery would make up the difference between the small open interest and the large visible supply. With a fair prospective crop, it is reasonable to suppose that the open interest might increase some 50 million bu, although this is just a guess, since nobody knows what proportion of the wheat will go into the loan.

Buyers have always been found in thepast, and we have no doubt as to the future. Today, however, there have been some rumors that with Allied reverses, France might capitulate, and Premier Reynaud is expected to speak shortly after the market closes. There was a fair amount of selling by longs who had become fearful as to future events in Europe, and we believe this is what occasioned the selling; although volume was not large, it was quite general, and finally the minimum prices which have prevailed for several weeks past were reached. Tomorrow, we shall again have a free and open market, and with this restriction removed, we expect to see improvement all around. At a low level of prices, the farmer will naturally be inclined to store a large percentage of his wheat, particularly when he had such success last season by holding off until finally there was a price advance.

The one unfortunate incident is that we have practically no legitimate export outlet, although there may be some sales made later on under the subsidy, or if this is impossible, wheat may be given away charitably for European relief purposes.

Statistics and grain news had very little influence today. Argentine shipments were estimated at nearly three million bu, while the primary receipts in this country were exceptionally light, at only 259,000 bu compared with more than one million bu last year, showing that the season is late.

The stock market showed very little anxiety regarding impending European developments, and in fact, New York securities may have declined somewhat due to the fact that practically all grain futures in Chicago had closed at the minimum permissible limits.

Corn trade continued even after the wheat market became frozen, and the two important futures closed at the bottom.

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CHICAGO

June 14, 1940.

The Board of Directors should well be proud of the manner in which they handled the present situation. Despite further adverse news fromFrance this morning, with the Germans occupying Paris, our wheat market opened very little changed, regardless of the fact that minimum price levels had been withdrawn. Everything functioned wonderfully well, and there was no trouble in hedging grain or selling long commitments the moment futures were traded in, as everybody had full confidence that after the great excitement, perfect order would be restored.

From now on, we shall deal more and more with actualities and prices will be governed entirely by supply and demand. In this connection, it is very important that the movement of winter wheat has been somewhat delayed on account of the late season, and therefore, there is no immediate pressure from new arrivals. This should give the market a chance to recover as the present hedging sales that are being encountered are very light. The farmer should also feel happy that he has a free and open market again, because often when artificial remedies are resorted to, they bring about more damage than good. The Directors, of course, had in mind the strong technical position of wheat and the positive knowledge that when the open interest gets down to such small proportions, the fear of further liquidation is not imminent. We feel convinced that as soon as millers and merchandisers gain their bearings, business will improve, and that consequently it is simply a question of time before confidence is again restored. At the close of business yesterday sellers were plentiful, but this liquidation was dissipated within five minutes after market operations here were resumed.

It was understood early today that the FSCC would open bids on Saturday morning for the purchase of 2 million barrels of white flour, or the equivalent of about 9 million bu of wheat, and this also had a strengthening influence. Other than that, the domestic news was colorless. In about two weeks, the present crop season will come to an end. Total wheat and flour shipments since July are less than 45 million bu, and of course, almost everything that was sold to Europe was handled under subsidy. Whether we shall be very successful in doing the same next season remains a question, as the various countries appearing in the import column have been radically reduced, so many of them being under German domination at the present time, and even with great food shortages reported, there seems little likelihood of getting supplies while the Allied blockade exists.

Canada has a visible supply 166 million bu larger than a year ago. They will doubtless furnish most of the English requirements for sometime to come; at least, until new crop supplies are available in the Southern Hemisphere. It is assumed that the Argentine has only about 25 million bu of wheat remaining for shipment, compared with 166 million bu in 1939, but the comparative shortage will not be felt, inasmuch as present requirements are not large. It is difficult to say much about Australia, since censorship is practiced with such vigilance. However, the visible supply decreased 4 million bu last week, which shows that there must be wheat shipped from that country, despite the hazards of war. However, there is still 115 million bu left in the visible, while a year ago there was only 28 million bu. The only bright spot in their picture is the possible reduction in wheat acreages for next season, due to the unfavorable weather conditions at the present time.

Primary receipts were a little heavier today, at 557,000 bu versus 535,000 bu last week, and 1,025,000 bu last year. There is likely to be a fair decrease in the visible supply again on Monday. So far this week stocks at Kansas City, Duluth and Minneapolis decreased 1,489,000 bu; a year ago we were having increases in the visible; on similar date there was an increase of 1,625,000 bu.

The market was fairly firm, and at the last July wheat registered a gain of 1¢ per bu, while the September future was up 1 3/4¢.

Corn was also in better demand, except for the December future; the old-crop months were strong because of the artificial situation.

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CHICAGO June 17, 1940.

The paramount issue over the week-end was the surrender of the French forces. Even at this time, we do not know exactly what peace terms Germany will impose upon the vanquished, nor have we any idea as to the position of the French Navy. The actual surrender of France, even though probably unconditional, was not surprising to most people, in view of events of the past few days, although some had thought that the government itself might flee to other quarters and that thus the Navy might be turned over to the Allied cause, in order that it be used in conjunction with the British Navy instead of against it. As previously stated, nobody knows yet what will become of the French fleet, and therefore, great uncertainties still lie ahead.

There was considerable liquidation in the stock market early, even though it was well established that Great Britain would continue her fight, despite the French armistice. The resolved determination of England to continue the war until victory is won has been repeatedly declared, and continues to come from British high sources. This regardless of the ultimate costs. The Empire apparently has the united support of its people, but great hardships naturally are in store because of French capitulation.

Our grain market was also quite weak at the outset, and there is no way of appraising values with such chaos in Europe. Undoubtedly, with the millions of refugees, starvation will face many people, unless food is supplied quickly. The thousands who are destitute, and who have been made homeless, as well as the many farmers whose lands have been trespassed and bombed, will be unable to carry on ordinary agricultural pursuits in the normal way; but if the British blockade should continue, we presume that it will be difficult to get supplies where they are most needed.

In this country, the progress in winter wheat has been satisfactory with the exception of some rust scares, and the government weekly resume calls attention to improvement in condition over practically the entire belt. Combining is under way in the extreme South, and wheat is headed further North. Spring wheat progress is also good, and in most of the belt the crop is said to be in good to excellent condition. The season is very late, and this is expressed by the small wheat receipts at Southwestern points, particularly in comparison with last year. Therefore, there is no important hedging pressure at the moment, and this was fortunate at a time when the market was unable to absorb much selling.

There must have been a very good flour business over the week-end, for relief purposes and a little for the general trade. This was all a sustaining influence and after early weakness, the market had a very nice recovery.

Despite the small open interest, which is down now to 67 million bu, there were numerous longs who sold out this morning, but everything was extremely orderly, and apparently, there was enough new buying that came into the market to prevent drastic declines.

From Washington came the news that a gigantic inter-American foreign trade monopoly is being planned, and the provisions of same are apparently intended to cover countries in the American Hemisphere, in an effort to export surpluses to foreign customers. No doubt, most of the capital for doing this business will be furnished by the U. S. This program was supposedly designed to combat barter trade programs of the totalitarian states. In effect, it would be a huge subsidy plan covering other American countries, most of the loss to be sustained by us.

The visible supply when posted showed a heavy decrease of 3,277,000 bu. Total stocks in all positions are 87 million bu, which is 26 million bu more than at this time a year ago. The movement is still very light everywhere, the season being late, and today's primary run is only 374,000 bu while last year it was close to 3 million bu. However, within two weeks this will all be changed. Chicago stocks meanwhile have decreased 346,000 bu the past week, with about 3 1/2 million bu remaining in this market. Despite some recovery from the extreme low, July wheat closed 2 5/8¢ per bu lower, while the September future was down 2 7/8¢ a bu.

Corn fails to attract much speculative interest, being so artificial. The nearby gained slightly on the deferred months, with cash premiums well maintained. The market was somewhat lower despite the fact that large quantities are still impounded.

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CHICAGO June 18, 1940.

Hitler and Mussolini are now meeting in Munich to discuss the terms of peace to be offered to France. Until more is known on what basis the totalitarian nations will be willing to deal, it is impossible to make any accurate forecasts, as many complex problems involving diplomatic, military and commercial questions are at stake. The paramount issue which seems to be in everyone's mind at the moment is the eventual disposition of the French fleet. If it can be assimilated by the British, it will greatly augment the English naval power. If the terms mean the surrender of the French fleet, and those demands should be complied with, the British problem would be much more acute and the efficiency of the blockade would be tremendously hampered.

With the lack of information, it is naturally very difficult to make an appraisal of the effects on agricultural products. No doubt, Europe is in need of food and faces a very bleak winter. Broomhall states that 200 million bu of wheat will be required by the countries now under German control, not taking into consideration the loss of land put out of production temporarily by the invading armies. This country, in doing its great humanitarian work, will undoubtedly make every effort to give relief, either through the Red Cross or other sources; but what can be accomplished remains to be seen.

In the meantime, one should keep in front of him the statistical situation of grains throughout the world, and particularly in this country. On July 1st, the United States will have a larger carryover of wheat than at any time, with the exception of the period, 1930-33, which was the aftermath of the Farm Board. However, during that time, consumption was helped by the extraordinary amount of wheat fed on farms, while at the present time we have run into a declining consumption, because of plentiful supplies of feedstuffs. Canada also has a record carryover and a very large planted acreage. The remarkable recovery of our winter wheat crop and the good prospects for the spring-sown grain have changed conditions materially. Last fall, we had the prospect of a calamity in winter wheat, but now it appears as though we shall raise more than we consume annually, the excess to be added to our already large carryover.

Another grain that appeared to be in a bullish position last fall was rye, which went into the ground under very poor climatic and soil conditions, and with prospects for export business because of the collapse of Poland. But this situation has also changed, and it now appears that we shall have a supply in this country of approximately 60 million bu, including carryover and crop, against our domestic needs of 40 million bu. The chances of any of this cereal finding its way via export to the Scandinavian countries and Holland are practically nil at the present time. Oats have gone from a deficient crop to the approach of more normal supplies, with over a billion bushels estimated. The reduction of the duty from 12 to 8¢ on imported Canadian oats last season handicapped this grain by supplying some customers in the Eastern section of this country. As far as corn is concerned, we probably will have an all-time record amount in this country from previous crops, and present growing conditions remain quite favorable. Furthermore, the use of hybrid seed has increased, which gives larger production per acre. One of the chief uses of corn is the feeding of hogs. At the present time, the ratio is exceptionally unfavorable and many lightweight hogs are being sent to market. In lard, we have record stocks in cold storage, and on June 1st, they were the highest in history: namely, 283 million lbs. Various grains are selling at prices below the loan values, and undoubtedly, many farmers will elect to have the wheat impounded rather than sell same, While this temporarily relieves the strain, it does not actually dispose of surpluses which remain in the show windows, and finally exert their influence. Whether conditions in Europe will become more settled, or whether we shall be able to dispose of some of these surpluses through our different agencies, still remains to be seen, but, at least,

(OVER)

for the present, these factors cannot be taken into one's calculations

Carlot shipments in the Southwest are running very light, and only amounted to 248 cars today versus 1,456 same day last year. This poor showing is undoubtedly due to the lateness of the crop. Primary receipts were 505,000 bu compared with 352,000 bu last week and 1,966,000 bu last year. Stocks so far this week at Kansas City and Minneapolis show a decrease of 145,000 bu.

Awaiting the outcome of the peace terms traders prefer to remain on the side lines, and the entire session was very dull with no feature whatsoever. At the close July wheat was 1/2¢ per bu higher, and the September wheat 3/8¢ higher.

The same influences were felt in other cereals, and the total trade today will probably be of very small proportions.

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CHICAGO June 19, 1940

While the French government is supposed to have appointed two plenipotentiaries to receive the armistice terms of the axis powers, no details have been made public, and it is expected that possibly several days may elapse before the French officials can come to a decision. In the meantime, very little authoritative news is being received from Europe, and while one can surmise what the terms embody, conclusions as to the full consequences cannot be reached. However, with the rapidly changing world situation, economic forces are almost as mobile as actual warfare, and probably at no period in history has it been as difficult to arrive at definite opinions. Whether or not any of the old yardsticks can be used, or whether they all must be discarded remains to be seen; therefore, one can only deal with conditions from day to day.

In this country, according to figures released from Washington, the Federal expenditures for the fiscal year ending this month are possibly $9 billion, and with 11 1/2 months of the year completed, the deficit amounts to approximately $3,625 million. We are now committed to the policy of military preparedness for national defense. During the coming fiscal year, expenditures for the War Department will probably be in excess of $5 billion; Germany, over a period of years, spent many times this sum to effect her armament program. Undoubtedly, there will be a revision of the tax bill, but from all indications it will only count for about $1 billion of additional taxes. Therefore, it appears as though deficit spending will continue, which action in the past has always had an inflationary influence.

As the present crop-year is rapidly drawing to a close in this country and Canada, it might be timely to look at prospective wheat carryovers. The Canadian season closes on July 31st, and it looks as though her wheat carryover at that time will be about 250 million bu compared with 102 million last year, which figures include the Canadian wheat in bond in the U. S. This compares with the previous peak reached in 1933, or 219 million bu. Our government estimates that the U. S. will have a carryover on July 1st of 288 million bu, making the total for the Northern Hemisphere 538 million bu, which figure was exceeded only in 1933. The following tabulation shows comparisons year by year for the past decade:

(Million Bushels)

	July 1st	August 1st	
Year	U.S.A.	Canada	Total
1939	254	102	356
1938	153	24	177
1937	83	37	120
1936	138	127	265
1935	148	213	361
1934	274	203	477
1933	382	219	601
1932	391	137	528
1931	329	140	469
1930	294	130	424

For the years 1923-27, the average carryovers were 118 million bu for the U. S., and 42 million bu for Canada, or a total of 160 million bu. Since that period, of course, the population has increased in both countries, and necessarily our reserve stocks of wheat should be larger; however, nowhere in proportion to what they will be this year, and particularly in view of the fact that present prospects point to ample crops for all uses.

Reports from the Southwest indicate that the weather is highly satisfactory for the progress of wheat, and some parties are estimating that the Kansas crop might run almost as high as 100 million bu. Prospects in our own Northwest are holding up, although additional rains will be needed. Complaints from the spring wheat territory have been more or less of a minor character; same is about true in Canada, but naturally both these sections have yet to go through the vicissitudes of growing weather. The government weekly grain report states that in the spring wheat belt, a good to excellent outlook is largely maintained in Minnesota, North Dakota, and Montana, and in South Dakota, the early seeded wheat is heading out up to the north border.

(OVER)

Flour sales have been rather light this week. According to the Northwestern Miller, spring wheat mills sold about 40% of capacity, against 58% the preceding year, but in the winter wheat mills of the Southwest, sales were only 16% of capacity versus 56% similar period in 1939. The same source also reports that wheat seeding is progressing in Argentina, and where planting has been completed, the acreage has been increased about 5%.

Primary receipts today were 305,000 bu against 253,000 bu last week, and 2,257,000 bu last year. Southwest car arrivals from six points were again relatively light-- 420 cars versus 2,101 cars same day a year ago. Stocks of wheat at Kansas City and Minneapolis show a decrease so far this week of 309,000 bu.

Very little speculative interest in the market at the moment, apparently awaiting developments in the news. Although lower quotations were registered earlier in the session, the wheat market was helped somewhat by the strength in July and a little better feeling in the stock market. At the close July wheat was 3/4¢ a bu higher and September was 1/2¢ up.

Corn had a firm undertone and free supplies are not in any way burdensome.

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CHICAGO June 20, 1940.

Another day passed without disclosing anything new in the statistical field. It is practically an established fact that the combined carryover of the U. S. and Canada will be in the neighborhood of 530 million bu. It is too early to state with accuracy what the total North American yields will be, but assuming 728 million bu for the United States, which was the last government figure, and adding 400 million bu for Canada, we would have a total of 1,658 million bu of wheat in North America in all positions. This, naturally, is a tremendous quantity, particularly when it is considered that domestic consumption for both countries is only about 800 million bu, including seed, feed, etc. Therefore, there would be a surplus of about 858 million bu above domestic requirements.

Nobody can forecast what European requirements will be, and it will be interesting later on to have Broomhall comment on the situation, although even he will be in a dilemma, as it is not solely a question of what is needed to take care of war-worn Europe, but rather it depends more upon the ability of getting the actual requirements through the blockade.

Since last August, world shipments have been in the neighborhood of 475 million bu, and this includes some guesswork, as we do not have the actual clearances from Australia since March 1st, but we estimate them to be about 40 million bu. Should our guess be correct, it would indicate that there has been tremendous reduction in European consumption, despite war, and this is confirmed by the stories telling us of the notable shortage of bread flour at many centers, owing to the fact that mills have not been able to run constantly. Those who are bullish insist that in one way or another food will finally get through the lines, but upon the latter depends the ability of England to maintain her supremacy on the seas.

In the Southern Hemisphere, fair progress is being reported, and it is surprising how much Argentine wheat is placed afloat each week, but the chances are that the last crop was underestimated. The dryness in Western Australia has been relieved by light rains, but in other districts, crop conditions remain unchanged.

The world still awaits the final German and Italian peace terms, for which France has asked. Meanwhile, French morale is sinking and Premier Petain had told the people by radio that the French armies beat a slow retreat to the South. He said that France had too few allies, too few arms, and to few men to resist Germany. The important news, however, pertaining to the disposition of the navy is still being discussed, and many believe that Britain will finally come into possession of it.

The writer spent several days in the Southwest, where great optimism prevails because of perfect weather during the past two months. Many now believe that Kansas could easily raise 100 million bu, and possibly more, unless there should be a sudden change during the next ten days. In our Northwest, prospects, according to the Van Dusen-Harrington Company, are not so uniformly favorable as they were a week ago, but are still exceptionally good over a large part of the territory. In Canada, there was fairly good precipitation this past week, which relieved the dry situation in northern parts of Manitoba and Saskatchewan and enhanced the crop outlook in many sections of central and northern Alberta, Growth is progressing favorably everywhere, with stooling becoming general.

The primary movement is still small, only 456,000 bu compared with 2,726,000 last year; we attribute most of it, however, to the lateness of the season. Kansas City and Minneapolis stocks so far this week show a total decrease of 445,000 bu.

There was absolutely no feature to the market; the open interest is still low, at only 66 million bu, indicating great reserve on part of the public to enter into new engagements. At the last the July wheat showed a loss of 3/8¢ per bu, while the September future was off 1/4¢ per bu.

Corn was likewise featureless. The primary movement was large; this is not indicative of heavy selling on part of farmers, but rather is the outgrowth of some of the subsidy business put through earlier. As a matter of fact, the nearby position remains strong, and the July delivery is at a good premium over the deferred months.

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CHICAGO June 21, 1940.

Events of the greatest import have taken place in Europe during the past week, including an almost complete disorganization of French military forces and a probable French surrender, without having had too much effect upon either the grain or the securities markets. Of course, a good deal of this news had been discounted by preceding events. Those who watch securities prices conclude that possibly adverse foreign military developments were losing their force as stock market factors. In grain, one must hold in abeyance final thoughts until he knows more about the disposition of the French fleet. It is difficult enough in ordinary times to try to gauge values based on concepts of supply and demand, but even now, assuming that we have a pretty clear idea of what North America might raise, yet there is still no inkling as to what percentage of the surplus could be imported by the deficiency countries, granting the desire on their part to buy.

It is apparently the great hope of Britain to starve her enemies into submission rather than to try any quick offensive, and, of course, the former could only be done by retaining complete mastery of her naval prowess.

The terms of the German peace proposals have not yet been made public, except that Germany has announced her intention of restoring the wrongs inflicted by the Versailles treaty. She naturally figures that cessation of the war in France will promote her endeavors against the British Empire a little later on. Hitler insists that the peace terms should not prove humiliating for France.

Meanwhile, crop news in this country is mostly favorable. Harvesting of winter wheat is progressing and will gradually move Northward. Some damage may have been occasioned by high temperatures, but crops in Texas and Oklahoma escaped this peril, and likewise, rust has done very little harm. There had been some overnight rains in our Northwest, and these were very welcome, as a number of territories were beginning to complain of dry top-soil conditions.

The trade was reluctant in making new commitments, but this is not confined to grains alone. There were any number of New York securities that had not traded this morning one hour after the opening gong, and apparently, there is too much confusion to satisfy the speculator; hence general indifference. Total trades in the wheat pit yesterday were less than 13 million bu, which is quite unusual for the season of the year, but it must also be remembered that receipts in the Southwest are small because of the lateness of the crop. For instance, Wichita, Hutchinson, Salina, Fort Worth, and Amarillo had only 198 cars of wheat, whereas a year ago 1,388 cars were received. Enid stands out as a possible exception with 540 cars today, which was larger than in 1939, when 525 cars were received. However, in another two weeks, the picture should change and then it will depend upon the price level as to how much wheat is on the free and open market as compared tothat which goes under the government loan.

Primary receipts were small at 407,000 bu versus 557,000 bu last week, and 2,249,000 bu last year. Kansas City, Duluth and Minneapolis stocks so far this week show a total decrease of 620,000 bu. We shall probably have a fair-sized shrinkage in the visible supply on Monday; a year ago similar date it increased 1,472,000 bu.

There was absolutely no feature to the trade, and outside of a few small spreading orders interest was at a minimum. With Winnipeg prices at or near the peg limits, and with even export demand for Canadian wheat light, it is not surprising that trade interest should lag. At the last values were not much changed from the previous session.

Corn was firm, but also featureless. The same conditions which have prevailed for the past few weeks continue. Crop prospects on the whole remain satisfactory.

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CHICAGO June 24, 1940.

The French plenipotentiaries, who had apparently made their peace with Germany a few days ago, were at Rome trying to accomplish the same thing with Italy. Meanwhile, fighting had slowed down considerably, and with France apparently ready to swallow the dictates of the conquerors, hostilities will soon come to an end, which in all probability will mean a German offensive against Britain.

Important as these events are to the entire world, markets in this country have taken the news calmly, and there was very little excitement either in stocks or in grains during the past few sessions. When our market opened this morning, it was influenced more by the domestic situation, rains having fallen rather generally in all States except Nebraska. Some selling was in evidence on the theory that moisture in the Northwest came at a very beneficial time, although in the Southwest there seems to be talk of rust damage, but with low temperatures nobody is particularly alarmed and there was very little new buying to indicate much apprehension. There had also been some government flour purchases over the weekend, and the FSCC undoubtedly participated in this business, but the total volume was so small that it was not much of a factor, except in sustaining prices as hedges were taken out of the pit. In a general way, the rains over the winter wheat areas may do some harm to quality and may also delay harvest, but reports on yields in Kansas are still running very good, and many people feel that 100 million bu is possible for that State . The protein of the wheat is running somewhat lower than the first arrivals, and it may be that there will be larger quantities of line grade this year than in past seasons, which is somewhat in favor of carrying charges, inasmuch as elevators will have something to deliver, while in years when the quality is so high, the premiums prevent this.

At present, there is very little pressure anywhere; the season is late, and at Kansas City for instance, only 157 cars of wheat were received today, while last year there were 1,569 cars. At interior points we find that Wichita, Hutchinson, Salina, Fort Worth, Enid, and Amarillo had a total of 1,386 cars compared with 3,509 cars the year before. There was only one station: namely, Enid, that had heavier arrivals than the previous season. However, since elevators in the Southwest apparently have large stocks, no great harm is done in the delay, and we figure that within a few weeks, the whole picture will change.

Owing to the fact that there is very little demand from Europe, world's statistics do not have much influence. Total wheat and flour shipments from all countries were only 7 1/2 million bu, or about half what they were last year, and while starvation and famine are reported in many European countries, the great task is to get grains through the blockade, and this will depend largely upon the ability of the British fleet in the future. According to Broomhall, there is almost an entire absence of any definite crop predictions for Europe, but it appears to be well established that conditions are far below the average of the past few years, but positive opinions cannot be formed as to prospective yields because of incomplete reports and censorship. France will undoubtedly need to obtain grains from elsewhere, and Germany is expected to confiscate foodstuffs from wherever possible. Holland and Belgium, together with the Scandinavian countries, will need substantial quantities of wheat and rye, and besides this, they should have feed for their cattle; but nobody knows just how these requirements will be fulfilled.

The visible supply of wheat decreased 2,188,000 bu with total stocks in all positions slightly over the 85 million bu mark. There is only 20 million bu more wheat on hand than last year, but within two weeks the reserve should start to be built up. Chicago stocks showed a slight decrease, and we find that while the primary run ofwheat is a little larger at 698,000 bu, it is still small compared with nearly 5 million bu in 1939. There were a few small buying orders and final prices were unchanged for the July delivery, while the September was 1/8¢ lower.

Corn was indifferent and the nearby delivery was the weakest, influenced by an increase in the visible supply. The primary run is fairly large, but nobody can tell how much of this comprises exports under the subsidy.

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CHICAGO June 25, 1940.

Before the German territorial expansion, France was the second largest in area of the European nations. In actual size, it was not much larger than Illinois, Ohio, Michigan and Wisconsin combined. However, a greater proportion of land was capable of cultivation than in any other of the large European countries. The largest grain acreage was devoted to wheat, and in some years, France even had a small surplus for export. In a normal year, France raised about one-third as much as we do in the United States, and was virtually self-sustaining, although at times she received some help from her colonial possessions. This all occurred in spite of the fact that she also produced all the oats she needed for home consumption, supplied the world with wine, and was an immense producer of all kinds of fruits and cheeses. Just to what extent her territory has been devastated, owing to hostilities, is difficult to state. Also there must have been great agricultural neglect during the spring months when bombing from the air took place, and very likely if she were a free country now at peace with the world, she would have to import large amounts of foodstuffs; but we doubt very much whether England will permit this if the blockade remains effective.

Great Britain has always played a very preponderant part in the distribution of overseas transport, and by her important location, as she stands at the Atlantic gate of Europe, she has in peacetime acted as the distributing center not for European nations alone, but for the whole Atlantic.

It is not sufficient this year to have in mind how large the supplies are in the surplus countries, but one must also be able to comprehend what quantities the devastated countries may be able to import through the blockade. Part of the French fleet, at least, will be tied up with the ships of Britain, and already we are told that not many of the French naval vessels are returning to home ports to be disarmed. However, we are informed that under the armistice arrangements France has agreed to turn over the navy to her conquerors.

There was very little grain news overnight, and as a whole crop prospects remain good. Nebraska may prove to be the exception, but in any case, the winter wheat crop appears to be much larger than was thought possible a few weeks ago. Up to the present time, there has been very little pressure from new arrivals. Undoubtedly a large percentage is going into the government loan, as was the case last year. We find that Kansas City receipts are only running about 10% over those in 1939, while at interior markets, Wichita, Hutchinson, Salina, Fort Worth, Enid, and Amarillo, only 786 cars of wheat were received, compared with 1,127 cars a season earlier. The showing would have been much worse had it not been for the fact that 433 cars were received today at Enid, which swelled the total. We were advised by our office at that point that within a week or so, storage space will be filled, and then possibly the overflow may work Northward.

Possibly in anticipation of hedging pressure later on, a few longs liquidated and buying power was rather thin. The open interest remains more or less stationary at about 66 1/2 million bu, and with the stock market somewhat reactionary, buyers only came in after recessions took place. With the world carryover soon to be published, we shall undoubtedly have the greatest amount of wheat on record, and even if all the Continental markets had remained intact, world's supplies of wheat would probably be much in excess of current demand. Therefore, with important importing markets out of touch with world supplies and further disruption threatened, the exporting countries may have great problems ahead of them, particularly if the Canadian crops turn out favorably. At Winnipeg today all wheat futures sold down to the minimum prices, indicating that our line of reasoning may be correct.

Owing to the lateness of the season, primaries were only 703,000 bu, or about one-third as large as last year, when they amounted to 2,145,000 bu. However, demand is also quiet. So far this week Kansas City and Minneapolis stocks show a net decrease of only 100,000 b

At the last July wheat showed a decline of 1 3/4¢ per bu, while the September future was off the same.

Corn was influenced by the general indifference which existed. There were a few small liquidating orders, and the close was fractionally lower.

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CHICAGO June 26, 1940.

The carryover feeling from yesterday was somewhat pessimistic owing to the fact that wheat declined rather sharply, with only moderate hedges coming into the pit. This morning with lower securities, there was a little further liquidation by tired longs, particularly as the weather forecast for the Northwest indicated cooler temperatures and probable showers. This is about all that one could ask for at this season of the year. The final winter wheat crop may vary somewhat from present estimates, depending upon filling weather, and the amount of rust damage, but we doubt if the changes will be extremely important, Of course, if rust should be carried into the spring wheat territory, we might have to reduce figures from present estimates.

Trade is not so much concerned with the actual size of our domestic crop, since it is pretty well established that we shall have more than sufficient for home requirements, together with a large carryover. But what is puzzling most people is the foreign outlook, and in this connection whether hunger-stricken Europe will be able to get the necessary foodstuffs from the surplus countries in order to prevent famine and suffering. Ex-President Hoover called attention to this vital issue today, and said that the Belgian city of Brussels may be without food within thirty or sixty days unless aid is provided. However, if the British blockade remains effective, we are wondering just how such imports will be made from overseas countries. During the last five years, Germany, Italy, and the German occupied territories, which of course now includes France, have imported about 169 million bu of wheat a year; likewise, these same countries have imported on an average about 182 million bu of corn annually, of which Germany, The Netherlands, and Belgium were the chief buyers. It is one thing to be in need of an article, and yet another to actually possess it. By the economists own definition of production, no article is fully produced until it is in the shape that it is wanted, at the time it is wanted, and in the place that it is wanted. Therefore, the future remains as beclouded as ever, depending largely upon British naval successes or defeats.

Reports of various kinds from the Republican National Convention, as well as speeches by certain parties, had a little influence upon securities in New York, and with the mid-session rally it also caused some short cove ring here, which firmed our market.

Otherwise, there was nothing of importance, and the trade remained cautious. We find that flour buyers are acting in the same manner, and with so many uncertainties in Europe, spring wheat millers last week sold only 28% of capacity compared with 40% the previous week, and 86% same period in 1939. This is according to the Northwestern Miller's report. It also showed that in the winter wheat territories, bookings rose to 38% versus only 16% the week earlier, but 162% a year ago. Ordinarily at this time of the year, when hedges come into the market in volume, there is also a good absorption by actual processors, and it may be that there is a hesitant period until one can know more definitely just what percentage of the wheat will finally go into the loan. Even of the Southwest business last week, a good percentage was attributed to government purchases, but export sales are almost unheard of, except a few small, limited lots to Cuba and other Latin-American countries.

Primaries are still small at 621,000 bu compared with 2,422,000 bu last year. However, in another week the comparison will be less marked unless rainy weather in the harvesting districts should set in. Kansas City and Minneapolis stocks so far this week show a total decrease of 171,000 bu.

Total trade was rather light today, and we note that in spite of some "give-up" business against cash yesterday, there was only 13 1/2 million bu traded. The July open interest is declining, and undoubtedly hedges are being put into the more deferred futures. At the last there was more weakness in the July than in other months --showing 1/8¢ per bu advance, while the September future rose 3/8¢ per bu.

Corn was somewhat lower; crop prospects remain good, and one report from Iowa indicated that conditions were even better than last year.

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CHICAGO June 27, 1940.

Russia issued an ultimatum to Rumania demanding the ceding of certain territories, and while not officially confirmed, it is reported that Rumania has accepted the demands giving up Bessarabia, Northern Bukovina and several Danubian naval bases. Otherwise, there were no great developments in the overnight European news, and uncertainty still exists with regard to the disposition of the French fleet.

In the meantime, great bitterness is being built up. In France, feeling is running high against the United States, and the intensity of anti-British sentiment in certain French quarters is tremendous. The Nazis are cultivating Belgian antagonism towards France and, according to information which we have, are trying to make things as easy for the Belgians as possible. However, the food situation in that country is very bad. We have pointed out in several of ourletters recently the seriousness of the food shortage in Europe, and it still remains an enigma as to the amount of relief that the United States will be able to furnish. Famine in Central Europe is increasingly feared due to the effects of mobilization and a rather severe winter, followed by a late spring. While Germany insists that they have ample reserves of all sorts to carry them through 1941, this must be taken with some reservation. Last winter, the people of Germany were subjected to hardships, and if the war should continue through this year, conditions should grow worse instead of better.

Harvesting is starting in Southern Europe, and while it is impossible to gather any authentic figures from any of the countries, Broomhall points out as an example that Italian production will have to be up to a high standard if she is to be self-sufficient. Even in years when she raised close to 300 million bu, wheat was imported. For the crop-year 1938-39, imports amounted to 13 millionbu, although her production for that period was 297 million bu. The previous year she only imported 4 million bu, with a home production of 296 million bu. Last year, the Danubian countries were favored with large crops, and, therefore, they were able to make up for the deficiency in Central and Southern European countries. However, this year Rumania is expected to have a crop of only 91 million bu versus 163 million bu last year; 177 million bu the previous season, and 138 million bu in 1937. This year's crop is expected to be the smallest since 1934. While Rumania will undoubtedly produce enough for home consumption, they will have very little for export, although in other periods of small crops, she has actually been an exporter, as her populace is a large consumer of corn for human consumption.

The movement of other exportable surpluses from the United States has also been seriously hampered. We have lost our export market for about 75% of linssed cake and meal, and over 50% of our cottonseed cake and meal. These two items combined in recent years have amounted to 600 to 700 million lbs, which would be the equivalent of 10 million bu. of grain. Part of this loss may be made up by extra shipments to the United Kingdom, but great uncertainties still exist asto how we can help the needy countries.

During the past 24 hours, good rains were received over a considerable portion of the Canadian provinces. From April 1st to June 26th, Manitoba has averaged 5.22 inches of moisture versus 5.34 normal; Saskatchewan, 4.64 inches versus 4.67 normal; and Alberta, 5,15 inches versus 5.38 inches normal. Light showers have occurred over portions of our own spring wheat belt. Temperatures in parts of our Southwest have run rather high the past 24 hours, but indications point to some moderation.

The carlot receipts at six Southwestern points show a decided pick up, with the exception of Amarillo, and total 1,218 cars against 1,296 cars the same day last year. However, the hedging of the new arrivals is not exerting any great pressure on the market, as probably 70 to 75% of the receipts so far are going into the loan.

Primary receipts, while still running light, have shown some pick up, and now total 1,144,000 bu versus 456,000 bu last week, and 2,758,000 bu last year. So far this week Kansas City and Minneapolis stocks show a decrease of 223,000 bu, almost all of which was at Minneapolis.

(O V E R)

Trade today was rather light and featureless. There seemed to be no evidence of any mill buying, nor any real pressure from hedges. Toward the last there was some liquidation, and at the close July wheat was 1¢ per bu lower, and the September 1 1/8¢ lower.

Corn was weak more or less throughout the entire session, with no unfavorable reports being received on the growing crops.

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CHICAGO June 28, 1940.

There were numerous rumors yesterday pertaining to possible peace negotiations between England and Germany, but apparently, these were without foundation, judging from Chamberlain's speech today. The British insist that they are continuing a policy of vigorous prosecution of the war.

Before our grain market opened this morning, securities in New York were considerably higher. No doubt, the country was pleased over the Republican choice of nominee. A man with business and executive ability, risen from the ranks, was regarded as a wholesome candidate at a time when sound judgment is of the utmost import.

As far as the grain trade is concerned, it is still faced with many uncertainties which will unfold but serially as time goes on. The action of the Canadian government in adopting minimum prices for cash wheat may be only temporary in nature, but yet, it is an artificial obstacle in preventing normal trade relations. Nobody can guess at this time how the coming crop will be handled. It is almost a foregone conclusion now that the Canadian carryover reserve might be 250 million bu, and of this quantity only 100 million would be necessary for home requirements during the 1940-41 season; therefore, there is an exportable surplus of 150 million bu, plus whatever is raised in Canada next summer. This, of course, would go a long way in taking care of European requirements, even if there should be a quick peace, except some people reason that price itself is not the determining factor, but rather it may be a question of credits, for which the United States would be more perfectly adapted, should the purchase of foodstuffs become a paramount issue. Having surpluses in this country also, there might be a great desire to furnish a good part of Europe's deficiency and thus better our own picture; but, of course, this question depends pretty largely upon the end of hostilities, and also, negotiations that would follow.

Neither our spring wheat crops nor those in Canada are made. Actually the critical stage of growth is still ahead, and while the moisture situation is quite satisfactory on the whole, there are complaints from scattered districts because precipitation has not been uniform. It is fortunate that so much rust-resistant seed was planted, and as yet there are no complaints from this disease. However, numerous rains during July should be ahead in order to maintain or improve present prospects. Minneapolis reports this morning that scattered showers occurred in the spring wheat areas overnight. This should be beneficial, particularly as temperature has also dropped. The indications are for fair weather to follow, with moderate temperatures tonight and Saturday. In our Southwest, there were a few high temperatures, but the crop is quickly reaching maturity, and already we find that receipts are making a pretty good showing as compared with last year. Interior points, including Wichita, Hutchinson, Salina, Fort Worth, Enid, and Amarillo, had 1,864 cars of wheat today compared with 1,398 the previous season. All stations except Amarillo were larger than the year before, with reports further indicating that about 75% of the crop is going into the loan, or at least, farmers are taking storage tickets. We may conclude that a part of the wheat may be sold a little later on, as not all the farmers are eligible for the loan and they may simply be hoping to receive higher prices by waiting.

Primary receipts show some improvement at 1,481,000 bu compared with 418,000 bu last week, and 3,263,000 bu last year. Kansas City, Duluth and Minneapolis stocks so far this week show a net decrease of 836,000 bu. When the visible supply is posted on Monday, it will compare with an increase last year of nearly 12 million bu. Despite a stronger stock market, there was some scattered liquidation in wheat, and as yet no buying of importance has come to the foreground. July wheat declined 7/8¢ a bu, while the September future was down the same. We doubt whether tenders on July contracts will be made during the next few days.

Corn was influenced somewhat by a lower wheat market, although just fractional losses were registered. We do not expect deliveries early in the month in this cereal.

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CHICAGO July 1, 1940.

Conditions in the Balkans are commanding more attention, and it is quite obvious that neither Germany nor Italy likes the Russian "grabs", but the Axis partners must be sure that no crisis will arise to stop the flow of oil and other materials fromRumania during their assault on Great Britain; and apparently the best way to dispose of the situation is to let Russia alone temporarily, distasteful as this may be. Total world shipments of wheat this week were slightly over 8 million bu, which was larger than last week, but this compares with 12 1/2 million bu a year ago, at which time Australian clearances had been included. As long as the blockade remains effective, there is not much overseas wheat going to the Continent, and a good many cargoes that had recentlly been destined for Denmark, Belgium and the Netherlands apparently were diverted to Britain. The latter country, of course, feels comfortable in the knowledge that she can lean heavily upon Canada and may also get a part of her supplies from Australia, despite the long haul. The heavy burden this year will be upon the surplus countries, unless ways and means are found of importing grain to take care of the hungry and destitute peoples of Europe, and no doubt the one great hope of England in carrying on hostilities is that the shortage of foodstuffs and other vital supplies will finally bring Germany to terms.

In this country, crop news is generally satisfactory. Most of the wheat in Oklahoma is assured, while in Kansas it is evident that production will exceed previous estimates; and the Santa Fe railroad thinks this was one of the most remarkable comebacks in the history of the State, surprise yields having been brought about by almost ideal weather conditions during the past two months. Even in Illinois and some of the Central States, the crop ran ahead of rust damage, and within a week or so harvesting operations will be more general.

Should North America finally have a crop and carryover of 1,650 million bu, it would be the largest since 1932, which was a great depression year in grain; therefore, we can see no chance for a big upswing in prices unless there would be more than the routine crop scares in the spring wheat areas, including Canada, within the next month or two. Of course, the loan price is a sustaining influence in a way, although we have seen in past seasons how prices declined considerably below those figures when the pressure was heaviest. The same, of course, is true of corn at the present time, despite the tremendous quantities impounded. Also, from time to time the relief purchases cause a temporary ripple, but the country consumes a rather stationary quantity for human needs and whatever is given away will not have to be purchased through other channels. However, it might mean a little more wastage.

Receipts generally were much heavier this morning. Kansas City had 1,777 cars of wheat vs 2,308 cars last year. Interior points, including Wichita, Hutchinson, Salina, Fort Worth and Enid received 3,434 cars compared with 2,387 cars last year. As a consequence, primary receipts were large at 5,118,000 bu compared with only 698,000 bu last week, and 7,235,000 bu last year. We expect that accumulations will take place now at a more rapid rate. A year ago the visible increased almost 12 million bu, while today the increase was only 421,000 bu, with the result that total stocks in all positions are only 8 million bu greater than they were in 1939. Chicago stocks decreased 478,000 bu, but there should be a movement toward this market before long.

Today was the calendar day for making purchases, but yet we found no large investment buying in the pit, although there was a fair recovery from the lowest levels of the day, and at the last July wheat closed 3/4¢ per bu higher, while the September future advanced the same.

Corn was fairly firm. The visible increased slightly, but industries are not finding it easy to get even barest requirements as so much is tied up under the loan.

Rye was independently strong, but it was mostly due to spreading operations with other cereals.

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CHICAGO July 2, 1940.

There was more or less calm in the Balkans, despite the recent turn of events, and unconfirmed rumors are that Rumania may conclude a military and political alliance with Germany. The war itself has become more of an individual series of battles, the British admitting heavy shipping losses during the week by German and Italian action, while the British naval forces sank four Italian submarines; but there has been no attack of importance on England itself, with the exception of some air raids, although it is felt that Germany is only giving the enemy a breathing spell until she gets herself prepared for blitzkreig activities upon the Island.

In its direct relationship to the war, Canada finds her wheat problem occupying a rather peculiar status. As one of our good Canadian friends points out, experts and laymen alike are worrying over the problem of feeding the millions of human beings that have been trapped in the countries occupied by the Germans, without relinquishing the stranglehold on the enemy. He figures it reasonably certain that the British blockade will cripple Germany next winter and exert a tremendous influence on the final outcome of the struggle. The blockade is one of the most potent single weapons at their command and it cannot be relaxed. At the same time, it is now probable that millions of innocent French, Belgian, and Dutch women and children will suffer even greater hardships than the Germans themselves.

In our country, we are little bothered about the export outlet, although we shall probably have a surplus over and above domestic requirements when the winter and spring wheat crops are harvested. Two of the experts gave their views on the crop situation today; one was pessimistic, and the other quite the reverse. There will be three more reports tomorrow, and after we have heard from the balance of the reporters, we shall probably have a better idea as to the possible results. In any case, with the large carryover on hand as of July first, but which figure has not been officially given to the trade as yet, we expect that the United States will have total supplies in all positions in excess of one billion bushels.

There has been some delay in harvesting operations in the Southwest, due to heavy rains, but nobody is suffering from this , since there are good stocks of old wheat available and present premiums are not high; therefore, processors and consumers can get whatever the need at very reasonable prices. There have been some pessimistic reports from Kansas, although isolated, and well informed observers still think that there is a chance of raising close to 100 million bu, which is considerably more than had been anticipated at anytime since last December. In the spring wheat areas, June was a fairly satisfactory month; unfortunately, rains were not uniform throughout all districts, but there was a fair moisture reserve built up. This is always a pleasant reality, as June is so often a critical month for crop development, and essential rains are necessary because during the month of July the plant uses up much more moisture from the soil than is normally provided by current rainfall, and unless a large reserve supply has been created by the end of June, the crop may easily collapse in the scorching summer heat. As a matter of fact, we have not had high temperatures up to now.

Southwest receipts were fairly good for a Tuesday --Salina, Hutchinson, Fort Worth, Enid, Wichita, and Amarillo received a total of 2,106 cars; no comparison with last year when there was a holiday. Kansas City today received 806 cars. The primary run was also fairly good, amounting to 2,659,000 bu compared with 703,000 last week.

At times our market showed moderate weakness, with hedging pressure apparent, but there was also a little better sentiment, and yesterday for the first time the open interest showed more public participation in the market. At the last July wheat was 1/8¢ per bu higher, while the September future advanced 1/4¢.

Corn was rather indifferent, and the deferred futures lost ground, being influenced by the fine weather and good crop prospects.

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CHICAGO July 3, 1940

There was no particular news overnight. The war situation is about unchanged, but events in the Balkans are being closely watched, particularly as any harassing by Russia for further territories might prove embarrassing to Germany. Air raids continue by both British and Germans, and while these bombings are causing damage to civilians and to property, as yet there has been nothing decisive. However, despite all peace talk a week or so ago, Britain shows no inclination of making concessions at this time, and some observers believe that the war may be deadlocked if finally Germany is unsuccessful in her attempts to invade Britain.

Our market opened rather quietly, and shortly thereafter the balance of the experts gave their views as to the outlook for both winter and spring wheat yields. On an average, it is suggested that we shall raise about 721 million bu, or slightly less than the government figure last month. However, taking into account the carryover of approximately 288 million bu, we shall finally have to deal with over a billion bu of wheat, and this is large considering that there is no satisfactory export outlook except under subsidy.

The government stated yesterday that it would resume the subsidy program from the Pacific Coast. In addition to this, the various relief societies are studying ways and means of rendering aid to Europe, and it can be expected that the problem will be attacked realistically after the experience gained in the years of the first great war.Naturally, Canada will be more reluctant to sell any of her grains to countries where Hitler might benefit from such deals. Therefore, it is imperative that she retain her markets with Great Britain, owing to the fact that another good crop is now in sight, probable production in the three Western Canadian provinces being estimated at 416 million bu. This together with the quantities raised in the East, plus the carryover, may mean that Canada will have total supplies of about 686 million bu. Of course, there is always the threat that should there be a sudden peace, excessive supplies would find their way into consuming channels.

The trade here, however, was mostly influenced by the forecast for dry weather in our Northwest over the holiday, and with Minneapolis very strong, it was not difficult to get new buyers in a market that had been pretty well liquidated. Even on the advance, it was able to absorb hedging pressure from the Southwest, although up to the present time, receipts do not make a very good showing with last year. For instance, at Wichita, Hutchinson, Salina, Enid, Amarillo and Fort Worth, there were only 1,651 cars of wheat received today, whereas last year there were 2,876 cars. Kansas City made a fair showing with 1,318 cars received, although last year, even after the movement had been running for sometime, receipts were still 1,790 cars. There has been more or less rain over winter wheat districts further delaying harvesting operations, but before long this situation will change. The government weekly crop report states that some wheat in the Northwest is heading short and that it seems too dry in the Red River Valley districts, although on the whole, cold weather favors crop development, except that moisture is needed badly in a good many districts.

Primary receipts were 3,302,000 bu vs. 621,000 bu last week, and 6,696,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of only 123,000 bu.

Trade improved considerably, and with Minneapolis taking the lead, it was figured that conditions in the Northwest had seen their best, and that final figures might have to be reduced. The fact that no rain is indicated for the next few days gave encouragement to bullish operators. Locals, who had been on the sidelines for sometime, reinstated long commitments. At the last there was an advance of 3¢ a bu in the July future, while the September wheat advanced 3 1/8¢.

Corn was benefited by the great strength in wheat, and while it did not make a particularly good showing, there was a better sentiment, despite the fact that crop prospects on the whole remain very satisfactory.

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CHICAGO July 5, 1940

During the past few days, momentous action was taken by the British against the French fleet. While full details are still lacking, it appears that there is no longer a French fleet-- that the major portion is now either a part of the British Navy, or has been destroyed or crippled. This removes the possibility of that strong naval unit being used eventually against England and greatly enhances the British maintenance of sea superiority. Should the "all-out" war against the British Isles prove a more difficult task than anticipated, the sea strength of England may prove to be a great determining factor in either a negotiated peace, or an ultimate victory for England.

There was no moisture of consequence received over the holiday period, and at the present time, all eyes are focused on our own Northwestern States, as we are now more or less in the midst of a weather market. Conditions are somewhat spotty, and recently, the weather in our spring territory has been much less favorable than early in the season. At well distributed points in North Dakota for four weeks in June, there was an average of 1.64 inches of precipitation compared with a normal for the month of 3.34 inches. This, of course, is the largest spring wheat producing State, but other sections also experienced deficiencies. South Dakota had 2.66 inches against an average of 3.68 inches; Minnesota, 3.26 inches vs. 4.14 inches, while Montana was more favored with 2.73 inches compared to a normal of 2.76. The next few weeks will be much more critical, as we are fast approaching harvest time and the luxuriant growth will require good moisture to maintain prospects.

Farther North, in Canada, conditions still remain favorable, and Sanford Evans states that the wheat crop entered July with good prospects. However, we notice from the record of precipitation since April 1st that it is running slightly less than normal. although no marked deficiency but considerably less than last year, when such excellent results were obtained. As harvest is much later in Canada than in our country, they have a decidedly longer period to go through, during which time soil moisture will be heavily drawn upon. Therefore, current precipitation will be quite necessary to maintain the present outlook.

Wheat is just starting to move in the Central States, and the first car of the new crop was received in Chicago today; it should not be long before the movement is under way. Movement in the Southwest continues and receipts at Wichita, Hutchinson, Salina, Enid, Fort Worth, Amarillo and Kansas City totaled 5,690 cars vs. 3,978 cars last year, but this year the receipts included two days. However, a great deal of the wheat is still either going under the AAA loan or on storage, and this undoubtedly will continue to be the case in other sections of the country, unless prices should advance above the loan level. Hedging pressure is, therefore, relatively light, and should the outlook in the spring wheat retrogress and new buyers be attracted, they would not be called upon to absorb the usual hedges.

Broomhall estimates that Argentina has a wheat surplus of 30,573,000 bu vs. 152,875,000 bu the same time last year. Therefore, it leaves the U. S. and Canada with the main sources of supply, although it is not clear as yet whether export business will be possible to the European countries, which are sosorely in need of food.

Primary receipts for two days totaled 7,361,000 bu vs. 1,481,000 bu for one day last week, and 4,741,000 bu same period last year. Kansas City, Minneapolis and Duluth show another increase so far this week of 204,000 bu. We expect the visible on Monday to increase, but not as much as it did last year when it registered a gain of 14,199,000 bu.

The market early reflected the strength in Minneapolis, and lack of rain in the Northwest over the holiday period. However, some map readers are a little bit more hopeful of scattered showers, with the consequence that the advances were not maintained, and weakness developed. At the close, July wheat was 7/8¢ a bu lower, and the September was 1¢ down.

Corn prospects are fully being maintained, particularly in the large producing State of Iowa.

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CHICAGO July 8, 1940

The wheat market was rather weak on Saturday, and this was partially due to the hope that beneficial moisture in the Northwest might develop over the week-end. When traders came to their offices this morning, they found there had been scattered showers but that precipitation was by no means general, and insome localities, it was light. Today's forecast indicated somewhat higher temperatures, with only scattered relief, and in the early part of the session there was some buying of futures, despite the fact that there was considerable hedging pressure owing to heavier receipts at terminal markets.

Harvesting of winter wheat continues to make good progress, and cutting is quite general as far North as central Indiana and Illinois, although there have been delays owing to cool weather, which retarded the ripening of the wheat in some sections. At Wichita, Hutchinson, Salina, Enid, Amarillo and Fort Worth, there were 2,415 cars of wheat received today, compared with 2,218 cars the season before. Kansas City had close to 3,000 cars, which was about in line with the run in 1939, and storage space there is gradually filling up, with premiums in that market quoted slightly lower today, apparently both mills and elevators being less aggressive for the new arrivals.

There was very little in the European political news to stimulate commitments in either direction. Crop prospects in Europe remain very uncertain, and from a number of important producing areas, forecasts on yields are much below those of last season. The chances are that Spain will continue to purchase substantial quantities of overseas wheat, and considerable grain has already been shipped from the Argentine; but, of course, this does not make up for the balance of the Continental demand, which is greatly beneath normal, owing to the blockade. In France, prospects are well below normal, and while there is a substantial carryover supply on hand, there could undoubtedly be increased requirements as a result of the German occupation which threatens a shortage of wheat, but it is very problematic as to what will occur while Britain remains supreme on the seas. Prospects have improved slightly in the Danube basin during the latter part of June, but still indications are that final yields will be much smaller than the year before.

At the moment, the trade is watching our spring wheat developments very carefully, and also, those in Canada. There is still no great concern as to the adequacy of supplies, considering that the reserves from previous crops had been so big, and this is particularly true in Canada, where the carryover will probably be the largest ever recorded. Therefore, a cut of 50 to 100 million bu on both sides of the international line would not be a calamity, although it does temper short selling temporarily, and in fact, had induced a little more investment buying, with the result that the open interest Saturday increased about 1 1/2 million bu.

Canadian rainfall since last April has been extremely variable in the three provinces. Of the 129 reporting stations, only 60 reported above normal precipitation during that period. However,there are no serious complaints as yet, although the July and August weather will bear close watching.

When the visible supply of wheat was posted, it showed an increase of 9,723,000 bu, which was less than last year. However, total stocks are 95 million bu, or about 3 1/2 million bu greater than in 1939. Chicago stocks decreased slightly; the movement to this market has just started. Primary receipts were a little over the 8 million bu mark. This was somewhat less than last year, but 3 million bu greater than last week.

Our market was rather sensitive, both "ups" and "downs" at Minneapolis were quickly followed. After a 3¢ reaction at Minneapolis from the early top, those who had bought Chicago futures early liquidated, with the result that gains here were wiped out, and at the last wheat closed 7/8¢ a bu lower.

Corn, despite the government program of releasing supplies from the 1937-38 crop, was rather stubborn. There was some selling early by tired longs, but other than this, very little pressure was exerted upon the market, and the country does not seem to have much grain for sale at this time. However, it may come later.

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CHICAGO July 9, 1940

After the World War of 1914, various European countries were striving to become independent and self-sustaining within their own borders. High tariffs, quotas, and increased acreages were resorted to. Furthermore, financial and exchange difficulties, particularly in Germany and Austria, had much to do with the restricted purchasing from the surplus countries, but, despite these handicaps, world shipments were maintained on a fairly satisfactory basis, although various exporting countries at times resorted to subsidies to get wheat into consuming channels. A great many people, at the outbreak of the present war last September, looked for a repetition of what happened twenty-six years ago, but, of course, the sudden change of events has created an entirely different picture. Now that France has capitulated, there is only the United Kingdom and Spain of the European countries left with free access to overseas sources of supply. Ever since Italy entered the war, it has made it more difficult for Greece to keep her lines of communication open.

A few weeks ago, Mr. Churchill made it known that he expected that Europe would be starving under Hitler when winter set in. Broomhall, who has all the available statistics before him, agrees with this line of thought, pointing out that Germany's conquests in Norway, Denmark, Holland and Belgium have increased her troubles, since all of these smaller countries were net importers of food, especially of grain, and in no circumstances can they produce sufficient within their territories to cover normal domestic requirements. Even the conquest of France has made the situation more acute. Then, there is also Sweden and Switzerland virtually cut off from overseas supplies, with the result that the whole of Europe, outside of the United Kingdom, will have to economize on a tremendous scale, with all kinds of hardships ahead. Normally, the Continent's total imports of all grain and flour are in the vicinity of 550 million bu annually, and it remains a question as to where North America will go with its surplus under such circumstances.

European crops will undoubtedly be much smaller than last season. Exclusive of Russia, one might guess that the comparative shortage of wheat would be anywhere from 100 to 200 million bu. For humanitarian reasons, it is faintly possible that England will allow a certain amount of food to be imported into such countries as Norway, Denmark, Holland and Belgium in order that widespread distress may be avoided. However, the quantities will be held to a minimum, since the blockade is Britain's main offensive weapon; and from experience gained during the first World War, there is no guarantee that goods allowed through would not be seized by Germany. The economic problem confronting Hitler is of the first rank.

Primaries were 4,445,000 bu compared with 2,659,000 bu last week, and 4,279,000 bu last year. Kansas City and Minneapolis stocks for two days showed a net increase of 1,295,000 bu.

The trade is watching weather and crop news from the Northwest most carefully. There had been no important rains overnight, although numerous showers in South Dakota occurred, and the weather map also suggested that by tomorrow more moisture might be expected. However, the official forecast was not so optimistic.

There were bulges from time to time as pessimistic reports were received from Minneapolis: notably, the Occident report, but as an offset to this, there was hedging pressure again, and in the Southwest, Wichita, Hutchinson, Salina, Enid, Amarillo and Fort Worth received 1,199 cars of wheat today vs. 847 last year. Kansas City also did better, with 1,179 cars received there, and this was considered good for a Tuesday; a year ago, only 896 cars were received.

Surprising as it may be, there is quite a bit of wheat coming on the free market, and we note that yesterday the open interest increased more than 2 1/2 million bu. Apparently, speculators are absorbing these hedges. At the last our market was slightly lower, the decline amounting to about 7/8¢ a bu.

Corn was steady, without any particular feature. The primary run was considerably less than last week, but somewhat more than last year.

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CHICAGO July 10, 1940

The war has been in progress for a little more than ten months. Had anyone been perspicacious enough on September 2nd to have recognized that hostilities were to start the next day, he could have purchased September wheat at 77¢ a bu. That was the closing price on the Saturday before England and France declared war on Germany. For three successive trading days thereafter, prices advanced the full permissible limit, and at a later period, the dry fall weather had considerable influence upon the price level; but this advance has all been dissipated now, and anyone who actually took delivery and carried the wheat would have sustained a substantial loss, with the price of futures today slightly below the level of the pre-Labor Day session. Thus, another theory has been shattered as to the early influence of the war upon wheat prices.

Despite acreage reductions in the U. S., occasioned by government payments to farmers, we find that the combined wheat acreage in Canada, Argentina and Australia during the last four years has remained at levels only slightly below those of the peak years. Apparently, those other countries have taken advantage of the fact that our production was to have been minimized.

Ten days ago, the wheat crop-year started in the U. S. We do not yet have the official carryover figure from the previous season, although it will probably be in the neighborhood of 280 million bu. If the domestic utilization of wheat during the coming season is about the same as in the past season, the supplies available for export and carryover would be about 325 million bu. We shall have a slightly better picture later in the day, after the government report has been issued. Prices of hard winter wheat at Gulf ports are about 24¢ above export parity, and those at Pacific ports about 29¢ above; therefore, it is reasonable to say that if we are to reduce our surplus, we shall have to continue some sort of subsidy, in view of the competitive prices in other exporting countries.

Since last August, total world shipments to European and non-European countries have been 112 million bu below those of the previous year. This, however, does not take into account Australian clearances since March 1st. If we allow liberally for the latter, say, 50 million bu of wheat actually placed afloat, it would still leave us with shipments about 60 million bu smaller than the previous season. This alsoindicates that great economies are taking place in the deficiency countries.

In the European war zone, there was nothing startling overnight. A British naval encounter with the Italian fleet caused the loss of a few destroyers and submarines, but apparently, this battle was of short duration.

For many days now, the foreign demand for North American grains has remained flat. We understand that a good number of vessels, originally destined for the Continent, have been seized by Britain, and this, together with the fact that improvement has taken place in the U. K., is very likely responsible for the recent poor demand. England realizes that as long as she remains supreme on the seas, she can get adequate supplies from Canada, where the visible is still 181 million bu larger than it was the season before. Furthermore, the government report issued late yesterday, indicating crop condition of 92%, suggests that Canada will raise a crop of about 425 million bu in the West, depending upon weather from this point on. Excessive heat and drought is claimed in Saskatchewan, and later figures may be revised downward.

In our Northwest, there were some nice rains in North Dakota and Montana, with the likelihood of more moisture to follow. However, conditions in the spring wheat belt were less favorable the past week and some of the grain is being prematurely harvested, but improved weather at this time is rather encouraging.

Primaries were reasonably large at 4 1/2 million bu, which was more than a year ago. For three days, Kansas City and Minneapolis stocks show a net increase of practically 3 million bu. There was no trend to the market; recoveries from the low point gave us a close just slightly higher than the previous session.

Corn was higher; indications are for rather warm temperatures, and this was responsible for local short covering.

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July 11, 1940

What a travesty it is that with the world's wheat carryover the largest that it has ever been, today most of Continental Europe is faced with the prospect of famine. Severe winter weather, the late spring, and the mobilization of peasant labor either for attack or defense have had their effect. This was true particularly in Western Europe, but also in Germany and the Danube, with regard to the areas sown to food crops, as well as the intensity of cultivation. Ordinarily, a fair proportion of the cereal supplies of Continental Europe must be imported from overseas, but these are now shut off by the blockade, and during the last two months, such crops as were growing in Norway, Belgium, Holland and Northeastern France have been drowned, burned, shelled, or destroyed. Livestock must also have largely disappeared, while equipment was ruined. The tragic exodus of refugees that blocked routes of the French army is evidence of the de-population of a once busy farming area. Such food as can be spared from the Balkans, together with the herds of Denmark and the rye of Poland, will be used to feed the under-nourished Germans. Thus, we have a picture which appears gloomy for the starving refugees, and which may likewise affect the disposition of goods from surplus countries, as long as the British blockade remains effective.

This may explain in part why Canadian prices have remained at the minimum limits for weeks without attracting much business. Despite the war, total wheat and flour shipments have amounted to only 183 million bu, compared with 150 million bu the year before; and this in the face of a crop disaster in the Argentine, and only nominal clearances from Australia. The U. S. shipped less than 45 million bu during the past crop-year, but almost all of the exports were accomplished through subsidy.

Rather general rains over northwestern areas had more influence upon the market than the government report, which was issued late yesterday. A forecast of 728 million bu for both winter and spring wheat crops was practically the same figure that was given out a month earlier. Its influence, however, is more important because an increase of about 35 million bu in winter wheat production is assured, since those crops have virtually been gathered. As we understand it, the government, through its system of correlation, estimates the spring wheat crop in July on the basis of average weather for the future, and undoubtedly, a fair amount of damage has already been included in their report. Should there even be some further reductions, they might easily be offset by higher yields in the Southwest, because, Kansas, for instance, is yielding so well that many believe the final crop will show more than 100 million bu of wheat raised; elsewhere, increases also appear likely. On basis of a prospective carryover of 280 million bu, we shall now have total supplies in excess of the billion bushel mark. Therefore, there is a chance that new fields will be exploited for the sale of wheat other than to European markets, which are anything but promising at this time.

Primary receipts were 4,691,000 bu; no comparisons can be made with last week when there was a holiday, but a year ago they amounted to 4,733,000 bu. Kansas City and Minneapolis stocks so far this week show a net increase of 4,420,000 bu. The hedges are being absorbed by speculators, and we note that the open interest yesterday increased 2 million bu.

With the rains Northwest, Minneapolis led the decline, weakening more than we did. Our market finally was 1 3/8¢ a bu lower for July, while the September delivery declined 1 1/2¢. The former was at the season's low point.

Corn was fairly firm, despite fine rains in Iowa and parts of Illinois. Bookings from the country were a little heavier, but still relatively unimportant.

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CHICAGO July 12, 1940.

Whether the war will finally be decided by blitzkreig methods, or whether the resources of either England or Germany must make the final test, remains to be seen. All reports from Europe stress the shortage of food supplies in Germany and her occupied territories, but despite the fact that Hitler has been trying to starve out Britain since September, it is a fact that there is probably more food in England now than ever before. Before Germany can gain actual control of England, she must either bomb them out, starve them out, or drive them out. The bombings, of course, are being attempted daily, but likewise, the British defenses are growing stronger, and up to now they have retaliated with a force that seems constantly to be growing. Another vital implement in carrying on hostilities, is gold.

British authorities have followed the American example, and have blocked French accounts with the result that their holdings of South African gold shares in bearer form are now carefully restricted. During the fortnight that preceded the occupation of Paris, the gold reserve was evacuated, and the major part of it is already in New York. Therefore, as far as the gold reserve of the Bank of France is concerned, the largest part may be beyond the reach of the present French government, or of the Nazi army of occupation. England is adding to her strength by larger gold acquisitions, and the Union of South Africa, which is the largest gold producing area in the world, poured more than $240 million of new gold into Britain's warchest in the first six months of this year. Production mounted to the highest figure in history. While great secrecy enshrouds the disposition of this precious metal, the American foreign trade statistics reveal that approximately $150 million of gold was received in this country from South Africa during the past six months. Moreover, the reserve Bank of South Africa has added to its own gold reserves. This being the case, Britain is able to make purchases of war materials over here, held back only by our capacity for making deliveries.

There was very little in the grain news overnight, except that rains in the Northwest had been disappointing, and the weather forecast suggests a dry period with higher temperatures. This caused a rally at Minneapolis, which influenced our market, despite the fact that hedges kept creeping in, although the volume seemed somewhat lighter.

Southwestern receipts are not burdensome, although we find that Kansas City had 1,115 cars of wheat today compared with 856 cars a year ago, and storage space is rapidly filling. Wichita, Hutchinson, Salina, Enid, Amarillo, and Fort Worth together had 921 cars of wheat today, while in 1939 these same interior points had only 815 cars.

There are some complaints from Canada, where the weather is not altogether satisfactory. Of course, comparisons are often made with last year when one of the largest crops was harvested, but taking the moisture since last April for the three provinces we find that the comparison with normal is not so bad. The following figures speak for themselves:

Precipitation since April 1. Inches.

	This year	Last year	Normal
Manitoba	6.22	6.99	6.59
Saskatchewan	5.77	7.34	5.81
Alberta	6.37	7.58	6.43

Primary receipts today were fairly large at 4,166,000 bu versus 7,361,000 bu last week, which included two days'receipts: a year ago they amounted to 4,731,000 bu. So far this week Kansas City, Duluth and Minneapolis stocks show a net increase of over 5 million bu. We should have a fairly large increase in the visible supply on Monday, but it will be smaller than a year ago when it increased 19 million bu.

Today's trade was quite indifferent, best prices were not maintained as Kansas City finally showed some strain. At the last our market was 1/8 to 1/2¢ per bu lower.

Corn was influenced by the recent moisture over most of the belt. This is ordinarily a very critical period for plant growth and development. The situation remains largely artificial because of the large quantities impounded from previous seasons.

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CHICAGO July 15, 1940.

There were many radio commentators over the weekend discussing the war from various angles, but probably the most interesting program was the speech of Prime Minister Churchill, who claimed that, after ten months of unlimited U-boat and air attack upon British commerce, food reserves were higher than they have ever been; that England had substantially larger tonnage under her own flag, apart from great numbers of foreign ships in her control, than she had at the beginning of the war. He also dwelt upon this British Navy blockading what was left of the German fleet and chasing the Italian fleet into hiding, conveying the impression that it would be difficult for Continental Europe to get foodstuffs from overseas.

This, together with some rather unexpected moisture in our Northwest, gave us selling at the opening this morning, at a time when buying power was rather limited. For several years now, attempts have been made to restrict trading in grain futures. This has been accomplished so ably, and to such an extent, that the dearth of speculative buying practically offsets any benefits which might have arisen from other artificial influences of the loan. In other words, even with only a small quantity of wheat being hedged, because so much is being impounded, there is apparently enough coming on the free market to cause prices tosink beneath the 75cent level. Even millers and bakers at this time are rather cautious about making forward commitments.

It seems rather difficult to try to control all production, even with the huge quantities of money that have been poured out. It is obviously easier to control acreage than to control yields which depend upon Nature. While very little attention was paid to the government report issued late last week, in reference to the hay crop, this appears to be outstanding from point of view of production-- probably the largest since 1927. In addition there will probably be a record acreage, and possibly a record tonnage, of sweet sorghum cane for forage. Farm pastures and western ranges averaged better than in most of the last ten years, and were reported fair to excellent in nearly all areas except portions of the Great Plains. Thus while the grain trade was considering the benefits of the rains, mostly in relation to wheat, corn, and oats, it must also be remembered that pastures have improved tremendously, and thus, the whole country looks like a garden spot at this time.

Under such circumstances, the buying side of the market is not too popular. Favorable harvesting conditions have prevailed throughout most of the winter wheat belt during the past week; cutting was about 90% completed in the eastern two-thirds of Kansas, and this has extended to northern Ohio, Indiana, and Illinois.

It also looks fairly promising for crops in Canada, although rainfall in many places is deficient. What will finally happen to the crop and surplus up there remains a question, but there is apt to be a deficiency of storage facilities such as was never witnessed before; and this, we understand, is receiving anxious consideration. It is the practice in Western Canada for farmers to deliver into marketable position as much as three-quarters of their farm surplus of grain between August 1st and November 30th, and then either finance themselves by selling or securing a substantial advance. At the end of this month, the carryover of wheat will be greater than in any previous year, and may be close to 275 million bu. Also, the present acreage is the largest on record, although prospects are poorer now than they were a year ago. However, last year, the carryover was only 102 million bu. Domestic consumption in Canada is small compared to the total supplies that will soon be on hand, and itis, therefore, certain that arrangements must be made that farmers will hold a much bigger percentage of their crop than ever before. They regularly carry about 25% of their surplus beyond November 30th, but then comes the question whether it may be kept safely on farms, and this may throw some light upon an ever-normal granary, which has so often been discussed in this country.

(O V E R)

In Europe, prospects remain comparatively unfavorable in many countries, and the outturn may be anywhere from 150 to 200 million bu shorter than it was last year. However, with the blockade effective, there is not the compensation by a like amount of imports.

Total primary receipts last week were almost as large as a year ago, and it was not surprising, therefore, that an increase in the visible supply today of 17,722,000 bu was almost as large as the increase in 1939. Total stocks now are practically 113 million bu, which is slightly larger than the comparable figure of last year. Chicago stocks increased 555,000 bu, and receipts from now on should b large, but it is still a question as to how much of this grain will go into the loan. Today's primary run was smaller than last week, but better than same day last year.

There was very little rallying power to our market, although trade on the whole is very disappointing at a time when the movement is heavy. At the last July wheat showed a decline of 1/4¢ per bu, while the September future was off 1/2¢ per bu.

Corn was stubborn, and firmness was due to tightness of the cash article. Chicago stocks decreased nearly one million bu during the week, showing that industries have to draw upon accumulated surpluses.

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CHICAGO July 16, 1940.

Whenever wheat gets around the 75-cent level, or lower, there are a good many bargain seekers, and many believe that it is a fairly good speculation to make purchases even when conditions are bearish, because there is always the hope that changes may take place. It would take a good deal of courage to become very bullish at this time unless one either felt that the demand from Europe would expand before long, or else, that the influences at home were sufficiently artificial to tie up large quantities. Today, there may have been the combination of these two factors at work. Rumors of a possible European peace were heard, and with the stockmarket advancing, it brought in some additional buying power to our grain market. Also, the fact that by far the greater part of the Chicago receipts comprise loan wheat, and that, therefore, only small quantities came on the free market, encouraged the thought that the movement would not be burdensome at any time and that later on there might be a certain amount of tightness in cash wheat, when millers and processors had to come to terminal markets for accumulated supplies.

There is still one factor that may cause concern later on, and that is, the availability of storage. Already in the Southwest, the load has been heavy, but somehow or other a solution will undoubtedly be found, even assuming that later on the requirements for corn become great.

It may be a different story in Canada, however. During the eight years prior to 1939, Canada raised an average crop in the West of only 275 million bu. We figure at the end of this month that the carryover may be nearly as large as an annual crop, and since present prospects suggest the possibility of 400 million bu being raised, they may finally have to send a part of their surplus to this country, unless the farmers are coerced to keep very large proportions of their crop back on the farm and thus take a chance of deterioration.

There was very little in the war news itself to cause any change of opinions. Increased German air and submarine activity has resulted in the sinking of a good many British vessels, but considering the large traffic on the seas, this is not regarded as very serious, particularly since England is blockading Italy and preventing foreign shipping from Mediterranean waters.

We find that receipts in the Southwest are dropping off, although the comparisons with last year are still quite good. Today, for instance, there were 441 cars received at Kansas City compared with 328 cars last year. Interior points, including Wichita, Hutchinson, Salina, Enid, Amarillo, and Fort Worth had 597 cars, while in 1939, similar date, only 463 cars were received.

In the Northwest, undoubtedly some deterioration has taken place, although recent temperatures have been ideal --not so high as they generally are during July, but there seems to be a prospect of rain developing, which would be beneficial. Of course, the chances for large yields are gone, but nevertheless, the final crop might be nearly as good as the last government figures indicate.

Primary receipts today were 3,773,000 bu compared with 4,445,00 bu last week, and 4,053,000 bu last year. Kansas City and Minneapolis stocks show a net increase so far this week of 963,000 bu.

Trade in wheat was only moderate, but possibly better than yesterday when less than 13 million bu changed hands in the pit. There was a noticeable lack of hedging pressure, but, of course, this is due largely to the fact that the heaviest percentage of receipts are impounded under the loan. At the last July wheat showed an advance of 2¢ per bu, while the September future went up 1 7/8¢.

Corn was influenced by the better sentiment in the leading cereal, but on the advance bookings from the country increased somewhat. The Argentine situation is extremely bearish, with supplies so large that there are discussions for its possible disposition, some feeling that in that country corn may be used for fuel. However, this all had very little effect upon values here.

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CHICAGO July 17, 1940.

Peace rumors, which were current yesterday, and which influenced higher prices, both for securities and for grains, were discounted when reports from the Axis powers stated that any warning from Hitler would not contain any specific peace offer, but would suggest complete capitulation. In the meantime, there was some air activity by both sides, but apparently Germany is storing up "blitz" in anticipation of a large offensive, which many believe will soon take place, despite Britain's determination to resist.

When our market opened this morning, there were a few small selling orders, but most of these came from speculative longs rather than from hedgers. Ordinarily at this time of the year a large movement of wheat would bring considerable pressure, but likewise, we have always found a fairly active absorption, so that when the hedging sales were over, the next step was improvement in price levels, as gradually millers and processors went to terminal markets, made their purchases, and thus, hedges were taken out of the pit, resulting in greater strength. Under the new order, we find that buying power is lacking, and in fact, it has been generally discouraged by various restrictions; but with by far the largest part of the wheat now going into the loan, it has not found a permanent resting place. Therefore, it will either end up in the hands of the government when the loans expire or are called, or else the wheat will go back into the usual trade channels should there be a bull market later on, thus furnishing secondary pressure later in the season.

The announcement late yesterday that sales of flour would be made under subsidy to Central and South America fell flat marketwise. Last year we find that less than 2 million barrels were sold from the United States, and in terms of wheat, the quantity was 8 3/4 million bu, but at least a part of this came from Canada, so at best we cannot expect very much demand by opening up this new avenue of trade through the granting of subsidies.

The weather has been very favorable in the Northwest --numerous showers fell and more are likely; the indications are for lower temperatures, and this is helpful during July when we so often have adverse conditions.

The government weekly grain report was also more optimistic than had been expected, although the chances for a bumper crop have vanished, but this is probably fortunate as there seems to be enough grain in North America, both actual and prospective, for all purposes.

The movement in the Southwest, which was late in getting under way, continues to be large, compared with last year. In Kansas City today 678 cars were received, while in 1939 there were only 359 cars. The interior points, consisting of Wichita, Hutchinson, Salina, Enid, Amarillo, and Fort Worth, received a total of 817 cars, compared with only 290 cars similar date a year ago.

After talking with several of the local elevator men, we are inclined to feel that storage space will soon be filled, and while the movement does not bring much free wheat upon the market, there is at least less anxiety on part of elevator operators that they will lose their grain if they make deliveries than was the case last season, because it seems relatively easy to get storage wheat now, and possibly corn later on. Therefore, we rather look for some widening in carrying charges from present levels.

Flour business in the Southwest was 82% of capacity last week, compared with 52% the previous week, but 251% for the similar period a year ago. In the Northwest, it averaged only 33% of capacity versus 73% in the preceding week, and 126% in 1939.

Primaries were close to 4 1/2 million bu, which was smaller than last week, but better than last year. Kansas City and Minneapolis stocks so far this week show a net increase of practically 2 million bu.

Our market sagged, July wheat declining 7/8¢ per bu, while the September future was off the same.

Corn was barely steady; there was no feature and bookings from the country were just moderate.

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CHICAGO July 18, 1940.

There was very little news overnight; even fromEurope, war dispatches were at a minimum. It is apparent that a great German offensive will soon be started, but after the experience of France, England is more determined than ever to resist. The French collapse is best described in the London Economist. "A great power, strong and proud only two months ago, is now so shattered that there is no entity to which the name of France can be attached. The people of Gaul are once more divided into three parts: one occupied; one muzzled; one exiled." This spectacle, which has so shocked the world, has strengthened Britain's morale and her determination to continue the struggle. Daily advices which tell of increased sinkings of British ships are undoubtedly exaggerated. Of course, it is true that while the French Navy fought side by side with the British, it did notable work in both convoy and interception, but it is equally true that since the beginning of the war to about July 1st, 25,473 ships have been convoyed with a loss of only 36, and the flow of food and materials has been unceasing.

When our market opened today, it took its cue from Northwestern weather and reports from those areas. Overnight rains were a little disappointing, although widely scattered showers had fallen, and more are likely. Temperatures were high in South Dakota but cooler weather seems to be in sight. It is interesting to look at the rainfall that has occurred since April 1st in the four Northwestern States, as follows:

	1940	1939 (Inches)
Minnesota	9,09	9.40
South Dakota	6.65	9.41
North Dakota	6.83	8.43
Montana	7.07	7.03

Trade is looking more at the action of the market than at statistics. Also, the large quantities being impounded are not exerting the usual hedging pressure, plus the fact that Southwest carlot receipts are dropping off. Points like Amarillo, Enid, Fort Worth, Hutchinson, Salina, Wichita, and Kansas City received 1,222 cars compared with 2,555 cars last week, although a year ago only 771 cars were received, and at that time over half of it was at Kansas City.

From Canada, we are getting fairly optimistic reports; intermittent moisture apparently is very welcome as July is the critical month. With only 31 million bu more wheat shipped fromCanada than last year, despite the war, there is still a balance for export and carryover of 278 million bu, with only two weeks yet to go before the season ends. It is a foregone conclusion, therefore, that reserve supplies will also be tremendous.

Since our season started on July 1st, we have exported about 1 1/2 million bu of wheat and flour, but this is apparently all under government subsidy. Without the British blockade we would undoubtedly have a better outlet, despite the fact that beneficial rains have improved crop conditions in Western Europe during the past week. In the Danubian basin official and private estimates suggest an outturn of 165 to 170 million bu under last year's production.

Primary receipts were somewhat smaller at 3,833,000 bu compared with 4,691,000 bu last week, and 3,189,000 bu last year. Stocks at KansasCity and Minneapolis so far this week show a net increase of 2,762,000 bu.

There was very little feature to our market, early strength was short-lived, and about mid-session moderate hedging sales came into the pit, and some of the local buyers, who had made purchases earlier, liquidated. At the last July wheat, which was relatively stronger, closed 3/8¢ per bu lower, while the September future declined 1/2¢.

Corn was firm, and while bookings from the country were a little heavier, there was no genuine pressure. It seems peculiar with such heavy stocks in the country that actual users would have difficulty in getting their requirements. Of course, this is all due to artificial reasons.

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CHICAGO July 19, 1940.

There was very little European news lately, but today Hitler appeared before the Reichstag in what he termed the final appeal to reason. He claimed it was never his intention to destroy a great world empire like Britain, but he made it clear that any rejection of his appeal would make it necessary for him to unleash all forces at his command. Many have thought for some time that peace terms might precede aggressive military.

Our market opened very little changed, and the chances are it would have continued very indifferent had it not been for the fact that there were some adverse reports from the corn belt, which stimulated buying of the yellow cereal. It is our thought that there has been a fair short interest built up in December corn against other months, and possibly also some spreads involving a short position of corn against long wheat, which today were affected by reports of higher temperatures and drought. There was very little in the actual wheat news, with the movement in the Southwest keeping up fairly well. Kansas City today received 707 cars of wheat compared with only 339 last year. The following interior points: namely, Hutchinson, Salina, Enid, Amarillo, Wichita and Fort Worth had 572 cars, whereas in 1939, they had received 386 cars.

In our Northwest, there had been a few scattered showers, but they were apparently insufficient for all purposes, and with some high temperatures recorded in the Southern sections of the spring wheat belt, it created a little bullish sentiment, Minneapolis prices starting off higher with the opening bell. We believe that the weather in Canada has been relatively more favorable than in our Northwest. First of all, the temperatures were cooler, and we find that since April 1st total rainfall was not much below normal. We give below comparisons, which speak for themselves:

	1940	1939	Normal	(Inches)
Manitoba	6.61	7.70	7.16	
Saskatchewan	6.13	7.48	6.32	
Alberta	7.25	7.96	7.08	

The Bureau of Agricultural Economics was rather conservative in its forecasts as to price trends. They pointed out that domestic wheat prices, which have declined for some time, are still above prices that prevailed a year ago, and one reason attributed to this was the smaller prospective world crop, high prices in Argentina and fixed prices in Canada. They mentioned, however, that there was little cause to anticipate any early marked inflationary price advance, though admitting that commodity prices in general appeared to be low relative to the expanded rate of industrial activity.

Very little attention has been directed lately toward our Pacific Northwest States, although they are suffering somewhat from the drought and heat, and very likely this will be reflected in the next government report. Last season there was a considerable portion of Pacific Coast wheat that finally was shipped eastward; therefore, a smaller crop may be a little bit helpful, as there will be less pressure from that source. The important item, however, and probably one that overshadows deterioration elsewhere, is the Southwest winter wheat crop; harvest is about completed, and results are far higher than early expectations. We feel that whenthe trade receives final figures as to yields, there may be some great surprises, particularly in the State of Kansas; and it all goes to show how provident Nature is. We admit that the weather had been almost perfect since last December. However, the extremists, who have made all kinds of tests to the roots and to the soil, must have been surprised by the tremendous improvement.

Primary receipts today were quite large at 4,101,000 bu versus 4,146,000 bu last week, and 2,693,000 bu last year. Kansas City, Duluth, and Minneapolis stocks so far this week show a net

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increase of 3,288,000 bu. There should be a fairly large gain in the visible supply next Monday, but smaller than a year ago when the increase was close to 19 million bu.

There was surprisingly little pressure considering the size of the movement, and with so few hedges coming into the pit, a few buying orders gave us an advance of 5/8¢ per bu for the July future, while the September advanced 7/8¢.

Corn was not able to maintain the full gain; most of the strength was in the deferred months.

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CHICAGO July 22, 1940

While the British press has denounced Hitler's overtures in connection with a possible peace offering, there has been no official answer to the German Premier's Reichstag address, but it is expected that Winston Churchill will give his views fully in the British House of Commons tomorrow. Some people believe that if vigorous rejection is implied in his talk it may set fire to the German offensive which has long been awaited. If foreign reports are correct that famine and starvation are likely in Germany and the invaded countries next winter, it would seem more than likely that a final charge would be launched soon attempting to bring England to terms. Almost all the invaded countries taken over by Germany have thus far been a liability. Even France, which normally produces practically all of her food requirements, is in this category, as devastation due to tank warfare is causing a serious situation. It is also true that France has to import one-third of her coal requirements, and virtually all her oil supplies, non-ferrous metals, and textile raw materials. It is true that reserve stocks had been built up, but as yet we do not know to what extent the French military authorities were able to destroy them during their retreat. There were numerous German air raids on Britain over the week-end, with some losses on both sides; likewise, the R.A.F. was active against Germany, but not much information has been made public.

When our market opened this morning, it was influenced more by domestic weather than by foreign news. There have been few rains over the corn belt, although some in Nebraska, and only a few showers in the Northwest, although temperatures were more moderate than recently and the forecast indicated some additional rains in the spring wheat areas. There was weakness early in our market, particularly heavy liquidation of July contracts widening the nearby future to about 1 1/4¢ under September, which was the largest carrying charge thus far attained. Kansas City had very heavy receipts --1,078 cars, compared with only 440 cars a year ago, and this in our opinion suggests that the Southwest crop has been greatly underestimated. An increase of 5 1/4 million bu at Kansas City brings total stocks up to 39 million bu, and elevator space is filled almost to capacity.

World shipments of wheat and flour were less than six million bu last week. This does not take into account clearances that may have been made fromAustralia, but the figure is so small that it again brings to the foreground the one important item: namely, that the British blockade must be fairly effective. Other than England and Spain very few European countries are able to make imports.

With Winnipeg futures still at the peg limits, their market affords no cue as to crop developments, or other news. However, during the past week weather conditions were quite mixed in the Prairie Provinces, as there were thunderstorms in some sections, but lack of rain elsewhere created a very spotted condition. There were heavy downpours at several points but 30 or 40 miles away practically no rain was reported. Temperatures during the first part of the week were moderate, but since that time there has been a rise and by tomorrow they may expect some very hot weather which may cause damage.

When the visible supply of wheat was posted it showed an increase of nearly 20 million bu. Chicago stocks increased heavily, and for the first time in a year accumulations are taking place here on a large scale. There is practically 8 million bu in this market now. The total visible of 132 million bu should continue to grow, as the Northwest movement has not yet started. However, it is still a great question as to how much of this is free wheat. Today's primary movement, while smaller than last year amounted to 4,798,000 bu, and compares with only 2,730,000 bu last year. It seems rather difficult to have prices sustained at a time when the movement is this heavy.

At the last July wheat showed a decline of 1¢ per bu, while the September was 5/8¢ per bu off.

The deferred deliveries of corn were quite strong, influenced by lack of rainfall in many important sections of the belt. Best prices were somewhat shaded because of the weakness in wheat. As of July 1st approximately 447 million bu of corn were impounded. There is also considerable government corn in metal bins and in other positions.

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CHICAGO July 23, 1940

The British Prime Minister appeared in the House of Commons, but was not very communicative with regard to his country's answer to the German Chancellor's recent speech. However, it must be apparent to Germany, in view of Halifax's talk yesterday, that final rejection of any possible peace overtures at this time is indicated. For many weeks now Britain has been improving her defense operations, apparently profiting by the fatal error made by France which finally brought suicide to that country; in other words, the existence of the Maginot Line lured that unhappy country's would-be fortress dwellers to their own ruin. In almost the same way, many Britishers have placed the same dependence upon their navy, although in recent weeks home defenses have been greatly strengthened and the War Ministry is not only preparing to defend, but also, to attack. The offensive spirit is being manifested daily through air-raid operations over Germany, and they are striking at the continental shores in some of the remotest localities. Royal Air Force planes have bombed airdromes in Germany, Holland, and France, and have also struck at oil deposits in parts of Germany and Holland; aircraft factories at Bremen and various other cities have been attacked, so there can be little doubt as to the sincerity of British operations.

If England can withstand attack and hold out until next winter, she figures that her greatest weapon is Europe's food problem under Hitler. Former President Hoover, who was Food Controller during the last World War, made the following statement recently: "The specter of the most disastrous famine in history is hanging over Europe. If the war continues for many months, the problem of feeding Europe's millions will be unparalleled in the history of human suffering." Even assuming that this statement is unduly pessimistic, the situation, to say the least, is serious enough. With the Continent cut off from some 350 million bu of grain and flour which is normally imported from ex-European countries, and on top of this, the domestic crops having turned out to be poor, it is difficult to see how a shortage, even to the point of local famine conditions, could be avoided. Probably one of the most delicate questions of the day is whether the United Kingdom would agree, under certain circumstances, to modify the blockade in order that distress might be alleviated. Naturally, in her endeavor to win the war the sea blockade is her most potent weapon.

Our market today was influenced by a rather discouraged carryover feeling from yesterday, With further liquidation in July wheat, a new low level was established on the crop, and at the present time, we find both speculative enthusiasm and milling demand very disappointing. One of our friends in the milling trade points out that in the 27 years he has been in business he has never experienced such a poor demand for flour at harvest time. Ordinarily, at this time of the year his mill is running full time including Sundays, but one day last week he was forced to shut down the mill due to lack of orders. In the Northwest, there has undoubtedly been deterioration in the crop since the first of the month. However, conditions are spotted. There was a fair amount of rain overnight, but over widely scattered territory. Very little is being heard of rust, undoubtedly because the resistant varieties were sown, probably on a larger scale than ever before. The worst enemy is the high thermometer readings in areas where the moisture was insufficient. However, in the advanced fields, harvesting is progressing nicely. Minneapolis advised us today that they had received quite a little new spring wheat from South Dakota, and it was all very nice in quality. There was also some new rye from North and South Dakota, which likewise graded well.

Primary wheat receipts today were fairly large - 3,505,000, or just slightly less than last week, when they amounted to 3,773,000 bu, which compares with 1,974,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 400M bu. Influenced by liquidating orders and the weakness in Minneapolis, our market was under pressure, with July wheat finally expiring at 71 3/4¢, which was 3/8¢ lower than yesterday. The September future declined 1/8¢.

Corn was fractionally lower, influenced by the action of the leading cereal. Some relief is indicated in the way of moisture by tomorrow, but it will probably not be general.

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CHICAGO July 24, 1940.

In looking for a valid reason for the comparatively low prices of wheat that now prevail, it is not difficult to find an explanation. There are, of course, many contributing factors, such as the inability of European countries to get their much-needed supplies through the blockade, but probably the chief reason is the fact that the United States will no doubt have a crop and carryover of close to 1 billion bu. Assuming that consumption this year will be somewhat less than 700 million bu, we shall again have a very large reserve at the end of the present season, unless ways and means can be found to export grain or flour. In another week the Canadian wheat season draws to a close. Very likely a carryover of 270 million bu or more will be on hand, or practically as much as has been raised in Canada during recent years, excepting, of course, last year's bumper crop. Several days of excessive heat in Manitoba and farther west have probably forced crop development, and as a result, prospects are not so good as they were, although many sections had nice precipitation; therefore, they did not suffer the decline that was experienced in the dry areas. Wheat heads are filling fairly well in better districts, although elsewhere high temperatures have taken some toll. In any case, the storage problem for Canada may be serious enough this coming season to impose a certain handicap upon us, particularly if large surpluses of bonded wheat should be shipped to the United States until European imports can be made.

The European news does not suggest anything different from what we have had lately. A number of bombing expeditions were attempted by both sides, but the actual invasion of Britain by Germany is still being held in abeyance, and possibly Hitler wants to make sure of his ground before taking such a decisive step. Everything has indicated for some time that a move may soon be made, although it is possible that Germany may wish to stabilize the situation in Southeast Europe first.

Today's market was influenced by greater strength at Minneapolis, and high temperatures in South Dakota were undoubtedly a factor. However, the wheat in that state is being rushed to harvest, and therefore, the heat has probably not done so much harm. Elsewhere, widely scattered showers were reported with indications for more. We also had an extremely strong corn market, which in turn influenced wheat. The yellow cereal advanced because of damage reports from Iowa; also, because of the hot, dry weather over the corn belt, but probably a great influence also was an announcement that the Iowa farmers are to be offered an extension of the loans under re-sealing, and it is understood that loans on the 1940 crop will be for two years where the farmer wants it; in other words,, he will tie up his corn for one year, but with the option to renew the loan for a second year. This had more effect upon the December delivery, which is the first new crop month, than upon the September future.

Primaries today were close to 3 million bu, which was considerably less than last week, but yet almost double of receipts a year ago. Kansas City and Minneapolis stocks so far this week show a net increase of 874,000 bu.

Receipts in the Southwest are falling off, and Kansas City today had 339 cars, while a year ago there were 173 cars. Interior points consisting of Wichita, Hutchinson, Salina, Enid, Amarillo, and Fort Worth had 267 cars versus 144 the season earlier.

Best prices of the day were not maintained, but yet sentiment was a little bit more bullish, many believing with so much wheat impounded that later on this is bound to have its effect marketwise. The September future at the last was 1 3/8¢ per bu higher, while the December advanced 1 1/4¢.

Corn, as stated earlier, was very strong, and from a DesMoines dispatch, those farmers who reseal their loan corn are to receive an advanced storage fee of 6¢ a bushel. Plans apparently will be announced within a few days.

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July 25, 1940

There was very little news overnight; from Europe came the news that the most reliable neutral sources considered that there was some difference of opinion amongst Hitler's advisors as to whether the immediate invasion of Britain would be wise. However, there was considerable airplane activity by both sides, but the chief weapon of Britain seems to be the blockade, which is being extended now to include the Atlantic ports of Spain and Portugal. Therefore, Europe's great problem still remains her desire to secure sufficient foodstuffs to carry on. Germany has requisitioned crops in Belgium, and in recent weeks has taken whatever surpluses were available from the invaded countries to strengthen her own position. All this is not particularly bullish upon the status of the surplus countries. Therefore, it is still a most important question whether the war will be a short one or whether it will be of long duration.

Very little attention is being paid to European crop news for that reason, and while in ordinary times poor yields in Europe would be a great factor in stimulating trade over here, it probably will have very little market effect as long as the blockade is effective.

Estimated shipments from Argentina this week are 3,307,000 bu. This suggests that their crop was underestimated, because if surpluses were down to such small proportions they would probably not be clearing wheat on such a big scale. What the future has in store for that country remains to be seen. Weather has not been overly favorable, but equivalent to our season, this is only January for the Southern Hemisphere, and therefore, much can happen between now and harvest.

Very little attention was paid to the announcement from Ottawa that the Winnipeg Grain Exchange would remain open, and that the government would guarantee the price of wheat at 70¢ a bushel, basis No. 1 Northern at Fort William, Port Arthur, and Vancouver, in the crop year beginning August 1st. In fact, the trade has become so accustomed to various artificial stimuli that these go almost unnoticed.

At the present time, weather in our own country continues to be an important element. This is only natural in view of the excessive temperatures which have been recorded in the Northwest, and also, over parts of the Corn Belt. Some relief appears to be in sight with the map indicating rather wide-spread showers, and lower thermometer readings by tomorrow. It is also more comfortable in Canada, and there have been comparatively few complaints from that country, although prospects are not as good now as they appeared to be a month ago.

Canada, however, has shipped only 33 million bu more wheat this season than last, which is a rather poor showing, considering the crop failure in Argentina, and only small clearances from Australia, due to shipping difficulties. With the Canadian visible supply 183 million bu greater than it was in 1939, England feels confident that there will be no trouble in getting adequate supplies, regardless of the outcome of the next crop.

In our own Southwest, receipts are dwindling down to small proportions; therefore, hedging pressure is no longer much of a factor. Kansas City had 339 cars today, compared with 177 cars last year. Interior points, including Wichita, Hutchinson, Salina, Enid, Amarillo, and Fort Worth, had 217 cars today, while last year they had 172 cars. Many in the trade believe that with such large quantities impounded, the chances for sharp breaks are unlikely, and that the line of least resistance is on the bull side, although undoubtedly, patience must be exercised until after the weight of the spring wheat crop has passed. Even consideration of the latter would not throw much of a scare upon speculators in normal times, but prices in the Northwest are so far beneath loan values that it is almost a foregone conclusion that the majority of farmers who are eligible for the loan will take advantage of it.

Primary receipts today were slightly in excess of 2 1/2 million bu, which was less than last week, but more than last year. Kansas City and Minneapolis stocks showed a net increase of 1,151,000 bu. Our market was heavy. There was no important follow-up buying after yesterday's advance, and without this support values were carried about 1/2¢ per bu lower for all futures.

Corn and other cereals were draggy, influenced by the weakness in wheat.

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CHICAGO July 26, 1940.

There was very little news from Europe overnight, but judging from the speeches of responsible Cabinet ministers in Britain, there is no intention whatsoever on part of the government to slacken the blockade in such a manner that needed supplies of wheat can be sent through to territories now under German military domination. There are a great many people who have felt for some time that a great deal of suffering could be alleviated in Europe if foodstuffs were sent to German refugees and policed. But according to the English version, this is more wishful thinking than anything else, and there seems little likelihood that England, as long as she remains supreme on the seas, will consider any such slackening.

This, naturally, brings up the question as to what the United States can do during the coming season, and assuming that subsidies will continue, there is, of course, some chance for making shipments from the Pacific Coast. The carryover out there is in the neighborhood of about 20 million bu, which is almost sufficient to take care of consumption in that part of the country, which we estimate to be about 27 million bu; therefore, if they raise 60 to 70 million bu, almost all of this wheat will be surplus, and unless ways and means are found to ship it to the Orient, to the Philippines, or elsewhere, there will be pressure from that source, as was the case last year. We may be burdened later on with Pacific Coast wheat in eastern markets. We pay very little attention to exports that may be made from Gulf or Atlantic ports to Central or South America, inasmuch as those countries will probably not take much, and later on they can depend upon the Argentine surplus when their crop is harvested. Sales to Europe become more difficult each day. With the tremendous quantity of Canadian wheat carried over, and another crop soon available, there will probably be record supplies in that country, and this in itself should be a very valuable reserve for the United Kingdom in the anxious years ahead; in fact, Broomhall figures that even if England were unable to draw a bushel of wheat from any other source, Canada would be in position to take care of her requirements for the next three years. It is quite unlikely that we shall be able to sell anything to the United Kingdom, as we did in the past two seasons, because the much-needed dollars are more necessary for airplanes and war materials than for wheat, which can be purchased in Britain's colonies without the use of foreign exchange.

There was a fair amount of moisture in the Northwest; also temperatures have moderated a good deal. Rains were reported also in parts of Iowa, although Illinois and Indiana were not particularly benefited. The forecast, however, for the next 24 hours promises further relief. All this tended to lessen apprehension, and buying power was extremely light. In fact, trade was almost at a minimum, possibly even worse than yesterday when only about 8 million bu of wheat were traded in the pit.

Primary receipts were 2,384,000 bu, which was smaller than last week when they were 4,101,000 bu; a year ago they amounted to 1,519,000 bu. Stocks at Kansas City, Duluth and Minneapolis so far this week show an increase of 1,616,000 bu. We expect a fair increase in the visible supply on Monday; a year ago same day the gain was 10 1/2 million bu.

With no leadership today's fluctuations meant very little; in fact, hedging pressure was unimportant, and the market just drifted, closing 1/8¢ per bu lower. There was a slight narrowing between September and December on a report that about 180,000 bu of wheat had been sold out of Chicago, apparently to eastern points.

Corn was relatively strong. Cooler weather and a chance for considerable moisture had very little effect. However, this cereal is pretty much dominated by political and artificial influences.

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CHICAGO July 29, 1940.

There was no particular grain news over the weekend. Ordinarily, at this season of the year, all eyes would be forcused on Canada, but there is the greatest indifference at the moment and very few traders even ask about the weather in the Prairie Provinces. Actually it has been rather hot during the past week and undoubtedly some deterioration occurred. Crops in many districts have benefited from light to moderate moisture. In Manitoba and Alberta, conditions are generally satisfactory, but there is some complaint from Saskatchewan. In any event, it will not be long now before they have another harvest, and with nearly 2 million acres more sown than a year ago --in fact, the largest acreage on record-- we wonder how long Canada will be able to carry that load, considering the tremendous carryover from previous seasons. Of course, while the war lasts, minimum prices may continue as an emergency measure to carry the wheat industry through another depressing year. Furthermore, the Prairies are faced with the loss of many of their normal markets, and yet, they still continue to plant more heavily than ever before, with the public treasury virtually subsidizing such large-scale production, which the world is not willing to buy. It is obviously more serious to a country having only about 12 1/2 million inhabitants than it would be to the United States, for instance, where we have 130 million people to share tax burdens.

In our pit there was practically no feature, and activity was at a minimum. Receipts in the Southwest showed a material decrease and it is too early to expect much pressure from the Northwest movement. There is some cutting of spring wheat as far north as North Dakota, but the rains which came over the weekend were timely enough in sections to be beneficial. During the past week damage from the heat was minimized somewhat by widely scattered showers. We have not heard of many complaints this morning, which would indicate that the crop has probably not become worse. At the moment, the milling demand is so quiet that no inroads are being made upon accumulated supplies; in fact, at Kansas City one elevator was embargoed for the time being. There is about 45 million bu of rated elevator capacity at that point, but of course, some room is required for working; therefore, the present elevator stocks of all grains, of 42 million bu, have established a new market record, although a part of the grain is undoubtedly impounded under the loan. The influence of the loan program will very likely be felt more keenly as time goes on, but at the moment there seems to be enough free wheat for all purposes.

Primary receipts were only about half as large as last week, but yet slightly better than they were a year ago. When the visible supply was posted, it showed an increase of 13 1/2 million bu; total stocks in all positions are now 146 million bu, or roughly 6 million bu more than was on hand at this time in 1939. Chicago stocks increased nearly 4 1/2 million bu, and there is now about 12 1/2 million bu in this market, which is quite an increase in the past two weeks.

Themarket was slightly higher influenced by strength in corn, and also a better securities market. However, trade was very small; we note that onSaturday only 5 1/2 million bu were traded in the wheat pit. This is almost unheard of during the latter part of July. At the last September wheat was up 5/8¢ per bu, while the December lagged a little and closed only 1/2¢ per bu higher.

Corn was firm. There is probably some damage in the corn belt because of high temperatures and insufficient moisture. The weather forecast, however, is rather hopeful that there will be some relief overnight.

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CHICAGO July 30, 1940.

Certain highways and railroads in France are being kept clear for military traffic, while German troop trains and naval forces have been massed on the Northwest ports, all of which may tend toward greater activity in an eventual offensive upon England at some near date. In the meantime, air activity continues; in fact, German assaults upon England have been intensified during the past few days, with certain military and other objectives damaged. It is thought in some quarters that raids over England are being attempted to close off the entire transport system into London, and thus prevent that large city from getting necessary food supplies.

The war news itself has had very little effect upon grain markets during recent sessions. There seems to be general recognition that so long as the blockade remains effective, it will be extremely difficult to get foodstuffs to the Continent. This is finally likely to affect all surplus nations, particularly Canada, unless, of course, crops turn out to be poor in the Southern Hemisphere. The Canadian visible supply is decreasing very slowly, and at present amounts to about 281 million bu. Within another week the new crop season starts; therefore, the carryover will be enormous , exceeding all past records. There has been a ban placed on wheat exports from the Argentine, except by special permit, and the reason given for this drastic measure is that the outlook for the winter wheat crop is not very good, as it has apparently been hard-hit by lack of rain and cold weather which is needed for hardening. To us this seems to be a premature step considering that it is only equivalent to the first of February in the United States, and much can happen between now and harvest. Those who try to forecast the size of the crop with any degree of accuracy must remember that our own winter wheat crop was estimated last December by the government at only 400 million bu --the lowest crop estimate ever made at that season of the year, and final returns now are about 525 million bu; therefore, excessive pessimism is sometimes unwarranted. However, it is important to watch the situation carefully, as normally the Argentine exports 150 million bu of wheat during a crop season, although at present everything is changed because of the restricted European requirements occasioned by the blockade.

Trade was again of very moderate proportions. Without a real issue, it is not easy to get speculators back into the market, and with no accurate knowledge as to how much wheat might be impounded, there are more uncertainties than usual. Yesterday only 8 1/2 million bu were traded in the pit, and such a quantity was easily handled by one large commission house in former times. Of course, the usual hedges that come into the market during July are lacking because so much wheat is being impounded under the loan; export hedges are not centering here; arbitrages between Winnipeg and Chicago are impossible, and foreign business, either from Liverpool or parts of the Continent, is conspicuous by its absence. Even spreads between various domestic markets have been curtailed because fluctuations are so narrow, and the grain trade seems more or less demoralized. Those who have elevators are practically making a contribution to the public treasury on basis of present storage charges, as the very low rates do not enable investors to get a return on their capital, and this seems to add somewhat to the general indifference.

Primaries were 2 ,121,000 bu versus 3,505,000 bu last week, and 1,368,000 bu. last year. Kansas City and Minneapolis stocks so far this week show a net increase of 143,000 bu.

The wheat market was firm right from the start, influenced by higher prices for corn and oats. Insufficient rains in Illinois and Indiana gave strength to the yellow cereal, and we understand also that growers having corn in warehouses in the mid-west who do not pay off their corn loans on August 5th will be in technical default, and this corn will then be made available for export under the subsidy program. This created considerable strength in September corn, and its influence was felt elsewhere. At the last wheat prices were 1 1/4¢ per bu higher.

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CHICAGO July 31, 1940.

World wheat shipments, as compiled by Broomhall, show that during the past season, 480 million bu were placed afloat, compared with 600 million bu the year before. This is not exactly accurate, however, because due to censorship, Australia has not published her clearances since February 28th; therefore, to get a complete picture it might be necessary to add 50 to 60 million bu to the former figure, but even then, it is quite apparent that the importing world has consumed considerably less since war started than during peacetime. For many months we have been forecasting just such a situation, and it was commonsense to figure that with shipping difficulties and the blockade, many of the Continental countries would not be able to get their full requirements. The consumption of wheat flour is being economized as far as possible so as to avoid the necessity of importing. Even England is finding that ocean space is valuable, so it is being used sparingly for those commodities not actually needed. However, this goes further, and we learn that feeds of various kinds are scarce on the Continent, and that it is impossible for many countries to import corn as they did during ordinary times.

Those countries with a surplus of wheat might find some comfort from the fact that conditions in the Southern Hemisphere are not altogether favorable. As we pointed out yesterday, there has been excessive moisture in the Argentine, and so far the winter has been practically without frost, while in Australia, drought conditions still prevail, the long spell of dry weather having delayed seeding and interfered with germination in those fields already sown. It is, of course, too early to come to any definite conclusions, their season being about six months ahead of ours, and much may still happen before actual harvest takes place. In our own Northwest, cutting of spring wheat has been completed in the southern part of South Dakota and is well under way in other sections. The weather on the whole has been favorable for harvesting operations, with practically no interruptions. New spring wheat arrivals at Minneapolis show that the grain is of very good quality, running low in moisture and high in protein. However, the bulk of it is going to store, apparently under the loan ; therefore hedging pressure has been relatively unimportant. In Canada, the hot spell was of short duration, and apparently did little damage--for two or three days the thermometer registered 100 degrees in several places, but soon dropped when widespread precipitation occurred. From various reports that we received, we understand that prospects have been maintained at about the same level that prevailed a week ago; in fact, conditions in Alberta show a general average improvement.

15 million bu of wheat were traded in yesterday, which was a slightly better volume, but there are still many handicaps, such as the lack of privilege trading; and this means that millers and exporters are not afforded daily protection against sharp price changes from time to time when either government reports or European developments make it hazardous to try to do a large volume of business in cash grain. It seems rather peculiar that the government should make it a criminal offense to trade in daily indemnities, thus taking certain protection away from people who need it, while apparently endorsing the same practice in securities, as puts and calls are dealt in daily, although in the latter market protection is often for a longer period.

Today's primaries were 1 1/2 million bu, or about half of what they were last week, and a little bit larger than a year ago. Kansas City and Minneapolis stocks so far this week show a net increase of 77,000 bu.

Best prices of the day were not maintained. There was some liquidation, particularly after the stock market showed an easier undertone. At the last September wheat was 1/4¢ per bu lower, while the December delivery closed 3/8¢ per bu off.

Corn was weak right from the start. There were good rains in Iowa, but Illinois and Indiana received only a few scattered showers, with not much relief in sight.

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CHICAGO August 1, 1940.

[illegible] The private crop experts gave their views today, and on the average they estimate the winter wheat yield at 524 million bu, and spring wheat at 193 million bu, or a total crop of 717 million bu. The reduction from last month was largely in the Northwest, and apparently, insufficient rain in certain areas, together with high temperatures, brought about this change. We are inclined to believe that the final winter wheat figures will be larger, because in Kansas, for instance, the weather has been ideal ever since last December. According to the Robinson report yesterday, it is very likely that that State has produced 112 million bu, and none of the experts have gone that high in their calculations. We are further impressed with the fact that during the last 10 years, winter wheat crops have invariably turned out better than the August estimates. This was true in eight years, while in only two years was there an actual reduction. On the average, the final figure was about 22 million bu greater than the early return, and we tabulate these below:

Year	August	Final Estimate	(millions of bu)
1939	550	563	13 more
1938	688	687	1 less
1937	688	686	2 "
1936	519	520	1 more
1935	432	465	33 "
1934	401	438	37 "
1933	340	377	37 "
1932	442	492	50 "
1931	775	825	50 "
1930	597	600	3 "
		Ten-year average	22 more

In our Northwest, the crop is pretty well made. Some claim that it would be well now if rains would cease so that harvest operations could go on uninterrupted. It is not likely that the changes from this time on will be very important. In Canada, provided seasonal weather continues to prevail, cutting will become general in Manitoba within a week or ten days; in fact, some early fields have already been cut. Recent precipitation came at a good time for the larger part of western Canada. Crops were just in head, and apparently rains assured proper filling, particularly in those areas where no considerable deterioration had been caused by heat and drought. The experts are looking forward to a yield of about 415 million bu for the West, which will be very satisfactory, even on a larger planted acreage.

There is very little change in the European political news. The long-awaited German offensive has not yet started, and on the other side of the picture, we find England tightening the blockade with the idea of making certain that Germany encompassed by her conquests, will become increasingly weaker. As one British author puts it, Napoleon discovered many years ago that the British blockade could not be beaten on land.

Argentine shipments this week were in excess of 4 million bu, but with the ban placed upon further clearances, except by permit, we presume there will be a sharp falling off in the near future. However, on sales previously made, a fair volume of shipments might still take place. We expect that Canada will benefit mostly because of the small Argentine reserves, and this she is well able to take advantage of, even assuming that crop prospects deteriorate, as they still have a tremendous surplus. Stocks in all positions, excluding the wheat in transit, are 186 million bu larger than last year at this time. Total wheat and flour clearances from that country were 193 million bu since August 1, 1939, and if they finally have a crop and carryover totaling over 700 million bu, of which roughly, only 100 million bu will be needed for home needs, they may be confronted with the tremendous task of storing their grain.

(O V E R)

There was very little rain overnight in the corn belt, with the exception of Iowa, and the forecast is not particularly favorable but in spite of this situation, there was very little buying inspiration today. Many believe that it is a little early to become overly apprehensive. As a matter of fact, the experts on an average gauge the crop to be 2,322,million bushels, which is still quite larg considering that we have such a big carryover.

Primary wheat receipts were 1,388,000 bu, showing that the Southwest movement is much smaller now. This compares with 2,617,000 bu last week, and 1,360,000 bu last year. Kansas City and Minneapoli stocks show a net increase of 476,000 bu so far this week.

We had a very dull trade; prices did not vary much from the previous session's closing level. At the last wheat was unchanged.

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CHICAGO August 2, 1940.

Since June 25th of this year Winnipeg wheat prices have been at the pegged limits, and for all practical purposes there has been no trading in futures, except occasionally where transfers were made against cash grain. The Canadian government apparently has decided to retain an open market, but by having set prices, the exchange can no longer function normally. This gives people a chance to study the situation, particularly as there are already some whose hearts have been dead set against organized trading. Sometimes speeches and propaganda have bred hatred and prejudice against those who were trying to merchandise grain along sound principles, using a futures market for greater efficiency in order to cut down the margin of handling between farmer and consumer. It should be noted at this moment that while trade in Winnipeg is permitted, nobody is compelled to enter a market where there are no fluctuations; and, therefore, with the cessation of active trading, Canada has not been able to sell one extra bushel of wheat. As a matter of fact, the government stands to lose plenty during these proceedings; and this may put an end to the thought often expressed by ill-advised farmers, that if the open market were destroyed an age of golden happiness would be open. Many in Canada are wondering whether producers are going to be able to take their whole crop and put it into elevators and get paid for it. Certainly warehouses will all be jammed, and we understand that the government is working out some system whereby each farmer will be able to deliver a portion of his wheat, and thus lay hands on some ready cash without delay. The balance of the wheat will probably be frozen on farms until regular storage space is available for it. Should there be farmers who could not secure loans on their unmarketed wheat, it might finally create tremendous problems.

Our market was again inactive, but influenced by a general psychology that commodities the world over were depressed, and that it might be difficult, through artificial means alone, to keep them stimulated. Coffee & sugar futures yesterday sold at record lows for all times; and this in spite of the fact that our government is hoping to establish a cartel system for better distribution into consuming channels. Of course, with tremendous restrictions in Europe and many countries unable to buy their usual requirements, the whole picture may bring about distortion and dislocations.

Wheat in the spring wheat areas is about matured, and very little can happen now except possibly too much moisture, which would interfere with threshing. We find that from April 1st to the end of July, the general moisture situation in the four important northwestern states was quite favorable as evidenced by the figures below:

	1940	1939
Minnesota	10.34 in.	10.41 inches
South Dakota	6.97	10.03
North Dakota	9.34	8.70
Montana	8.19	6.98

Outside of South Dakota these averages do not show up badly; and, therefore, we should raise about as much as last year.

Primary receipts for the first time were smaller than last year, being 1,221,000 bu today versus 1,391,000 bu at that time. Kansas City, Duluth, and Minneapolis show a net increase of 382,000 bu. We expect a moderate gain in the visible supply on Monday; a year ago it increased 3,876,000 bu.

Late in the session it was learned that England had made an agreement to buy 100 million bu of Canadian wheat during the coming year, but this is no more than had been expected; therefore, it had no market influence. At the last the price of September wheat was 3/8¢ per bu lower, while the December future lost 1/2¢. May wheat was even weaker.

There was more bearish talk in corn. Many people feel that when the crop starts to move there may be enough free corn to create pressure from hedges, and that temporarily, this cereal might work lower.

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CHICAGO August 5, 1940.

Since the beginning of the war, Canada has lost a potential market for many millions of bushels of wheat. Those European countries which have come under German domination since last September can no longer be customers of Canada. Norway, Denmark, Belgium, Luxemburg, France, and Holland, were all at various times in need of Canadian wheat, and undoubtedly they would all like to make purchases at the present time, but Canada can not trade with enemy countries. Owing to the tremendous carryover in Canada, which is probably the largest on record, and a better than average crop about to be harvested, there may be many problems ahead. With only limited storage facilities, the Ottawa government must be prepared to pay the farmers for the wheat that they cannot bring to the primary market for immediate sale. One of our friends tells us that only about 40% of the crop can be marketed freely, and that the government is trying to make some provision to see that the available storage is equitably divided among the producers and that ways and means may be found for storing the grain that they are unable to market. As to price itself, the government has recognized the need for protecting the farmer in this time of emergency; therefore, it will pay 70¢ for No. 1 Northern wheat at the lake heads. However, a quota restriction will be applied to farmers' deliveries of grain to the elevators, and some recompense, or advance payment, may be made in certain cases to tide the producer over until he can find a satisfactory warehouse for his grain.

In ordinary times, such confusion would have considerable influence upon our markets, but the trade here is completely indifferent to almost all economic and crop news, chiefly because we have so many uncertainties right at home. It would be difficult to guess what percentage of the crop has been impounded, but there are undoubtedly cases where farmers or cooperative elevators have taken warehouse receipts when the producers were not compliance farmers. From our own experience we know that some of the grain which appeared to be under the loan was sold out during the past few weeks. It always seems that much more grain is claimed frozen than actually is. Many traders still have in mind how the nearby deliveries last year went to premiums over the more distant months and they have seen in corn how this worked, despite the largest prospective carryover that the country has ever had. Likewise, incotton, with the hugh surplus, the nearby months almost cornered themselves on various occasions, and this, we believe, is the reason for the comparative weakness in May wheat at this time.

The wheat visible increased 7 1/2 million bu, and total supplies are close to 154 million bu; this is higher than the peak during 1939. Present supplies are about 10 million bu more than they were a year ago same date. Chicago stocks increased more than 3 million bu, to a total of 15 1/2 million bu. Of course, nobody knows how much of this is loan wheat. Today's primaries were smaller than last week, and a shade under those of last year.

Trade was extremely moderate --probably not much larger than on Saturday when 8 million bu changed hands in the wheat pit. Under the circumstances, there was no trend whatsoever, and it seems rather difficult to get people interested in the market, thus the open interest remains small at 80 million bu. At the last September wheat was 1/4¢ per bu lower, the December was down the same.

Trade in corn was small; early weakness was caused by a report from Springfield that heavy rains had fallen, but this was later denied. However, with some Argentine corn coming to Boston at a price said to be 5 to 7¢ per bu under domestic prices, a certain bearish feeling prevails.

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CHICAGO August 6, 1940.

During recent months, gold imports have reached new highs. All of this metal was not sold to the U. S. Treasury, as some of it has gone into the foreign earmarked stock held for safekeeping and for further sale to our Treasury, if, and as, the occasion arises. However, we do have over $20 billions of monetary gold, although only about one-fifth of the gold acquired by us during the last eight years was in payment of excess goods sold abroad. The balance sought temporary refuge here pending further allocation and use. Peculiarly enough, some of the large countries which have very little gold are trying to tell us that some day it will be without value. All through the ages it has been the one metal which has commanded respect, a nd which was the base of currency everywhere. There does not seem to be an adaptable substitute for gold with which international business can finally settle foreign trade balances. No barter system yet devised could serve that purpose, and in fact, enough people had confidence in gold, as it passed freely from hand to hand without regard for the character of the person tendering it, that obligations were finally paid off in terms of gold, and gradually the old-time barter systems became antiquated. Even conquerors seem to seek gold possessions of their victims as the choicest plunder, although they continue to threaten the elimination of gold for international exchange.

At the present time, the wheat import countries are not suffering so much from lack of funds as they are from inability to get cargoes through the blockade. While famine faces certain nations that have recently been invaded, the oversea shipments remain extremely light, and if England maintains her supremacy on the sea, we can see no immediate change. According to a resume by Broomhall, Italy, Spain, Jugo Slavia, Bulgaria, Hungary, Greece, and what is left of Rumania, will have a wheat crop this year about 180 million bu smaller than the previous one, and while ordinarily this would suggest a much larger business from the surplus countries, there seems little chance at the moment of establishing the usual trade relations. This is the one factor most serious to Canada, and which we have mentioned often in these letters as possibly bringing up storage problems.

Exportable supplies in the surplus producing countries are estimated at about one billion bushels, or practically double the world trade in recent years. The fact that world production this season is indicated to be about 10% below that of 1939 is apt to have little bearing upon the general price structure, owing to the fact that the world wheat movement is so restricted; and this is already causing many distortions.

Later on, much attention will center upon the outcome of Southern Hemisphere crops. The Department of Agriculture places, tentatively, Argentine production at 240 million bu, and that for Australia at 150 million bu; but, of course, it is far too early to have strong convictions as there are many vicissitudes ahead.

Primary receipts today were rather light at 1,162,000 bu, compared with 2,121,000 bu last week, and 1,478,000 bu last year. So far this week Kansas City and Minneapolis stocks show a net increase of 57,000 bu. There was very little feature to our market. Early strength was probably due to short covering and the fact that there was an early upturn in corn helped to improve general sentiment on the Floor. However, with the spring wheat movement still ahead, there is bound to be some pressure, even granting that the bulk of the receipts will be impounded. This, we believe, was responsible for the late selling, and September wheat closed 5/8¢ per bu lower, slightly widening its discount under the more distant futures.

Illinois corn has been damaged in sections by the excessive heat and insufficient rains. Prospects are quite uneven throughout the State. The best prices for this cereal were not maintained and at the close, changes from the previous session were unimportant.

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CHICAGO August 7, 1940.

Trading in all speculative markets is at low ebb. We note that for the month of July the smallest volume of cotton futures was traded in than at any time during the past 20 years. Commodity markets in the East report the same dismal outlook, and today, sugar prices went to the lowest figure on record, with apparently insufficient speculative support to create confidence. Whether it is the fear of blitzkreig activities within the near future, or whether it is a combination of many factors, is difficult to say; but, at least, the drying up of trade is not particularly constructive, and were it not for the many artificial influences presently at work, we should probably have even lower prices for various commodities than are now prevailing. However, time alone will tell whether artificial influences are best for all interests. Sometimes it is better to let Nature take its course than to delay a day of reckoning. When low prices prevail, surpluses are more quickly consumed; railroads and steamship lines are busy getting goods into consumption, and all this seems lacking at the moment, while wheat and corn are being held on the farms to await a better market.

In Canada some years ago when the Pool piled up huge surpluses, the secondary consequences resulted in several years of distress. We also had our own sad experience after the Farm Board era, when the accumulations were disposed of, and when wheat futures in Chicago sold in the low 40's. However, many experiments have been tried since that time, with the result that speculation has gradually lessened, and traders were unwilling to assume risks when they found that the various governments were so heavily involved in the markets.

There was very little news overnight. Export trade was extremely quiet even for Canadian grain, and while Broomhall emphasises the fact that short crops in Europe may cause a shortage of foodstuffs, particularly in occupied countries, there seems to be no immediate chance for getting overseas shipments as long as the British blockade remains effective. Even Greece, which is not at war, may have to import from some neighboring country approximately 10 million bu, which ordinarily she might get from this side of thewater. Also Spain, which has raised a larger crop than last year, will have to import, but it is questionable from where she can get her needed supplies. The immediate need for grains is not so important since home-grown crops are just harvested, but it is the usual thing at this season of the year to think of the future, and we are strongly of the opinion that, before many months pass, scarcity and famine will result.

At times our market was weak, influenced by a certain feeling of pessimism, with lard, cottonseed oil, hides, coffee and other commodities at low levels; then there was also a Saskatchewan Pool report, advancing the condition figure of that province from 92 to 95% during the week, weather having been cool and showery, but most traders are a little cautious on the short side at this level. Furthermore, there was considerable strength in corn as the result of unfavorable crop comments from Illinois and Indiana, as some deterioration is said to be serious in localities where there has been insufficient rain. This created a rather mixed market without any particular trend.

Primary receipts were light, being slightly over one million bu compared with 1,551,000 bu last week, and 1,196,000 bu last year. KansasCity and Minneapolis stocks so far this week show a total increase of 179,000 bu.

There was not nearly as much changing between various delivery months as had been the case recently. At the last the market was 1/4¢ per bu higher.

Corn was firm throughout the session for the reasons given above. While Iowa seems to have very good prospects, there are bound to be some losses further East and South, Nebraska and South Dakota claiming that the early crop is beyond repair. With so much of the corn impounded the nearby position gained on the other months.

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CHICAGO August 8, 1940.

The government has just given us the official carryover of wheat as of July 1st, which they estimate to be 284 million bu. This is the largest since 1933, and if we add to it the probable spring and winter wheat crops, we shall have over 1 billion bu to reckon with during the present crop season. A domestic supply of this size may prove burdensome later on, unless we find ways and means of exporting on a heavier scale than at present. During the first five weeks of the season, about 4 million bu of wheat and flour were cleared. We shall then also have to think of our northern neighbor, because Canada will carry over no less wheat as of August 1st then we did in this country, and it will be the largest reserve stock on record. Taking into account that crop conditions in the Prairie Provinces have been extremely favorable, they may experience trouble in marketing and storing such immense quantities of grain.

All this would not be so bad if there were a normal demand from Europe, but during the past season, world import requirements were about 40 million bu smaller, in spite of the war, than they were the previous season when peace prevailed. Even Argentina, with a small crop last year, found some difficulty in selling her wheat because of the blockade, but was rather lucky in finding Spain and Portugal, the last remaining continental markets, to absorb a part of the surplus. It would be a salvation if finally Southern Hemisphere crops would turn out to be below average, and this is a possibility, owing to the fact that precipitation in the Argentine since January 1st, is 6.33 inches above normal in the North, and 8.5 inches in the South, which means that cold, dry weather is an immediate necessity. Just the reverse is the case in Australia, where dry weather continues to threaten the crop, and this points to smaller-than-average yields for both countries.

It seems sad, to say the least, to have supplies in surplus countries go begging while a food disaster is imminent in Europe, and a shortage is already being felt in all western and northern continental countries, with the possible exception of Sweden --rumor has it that Denmark is endeavoring to obtain supplies of feedstuffs from the Balkans. Possibly one exception is Switzerland, which has a year's supply of food on hand, but even there rationing will be tightened shortly. Yields in most European countries are disappointing and definitely below normal. The Danish crop is probably 35% below domestic requirements, while the crop in Jugoslavia will be about 16 million bu below home needs. Even France, which is nearly self-sustaining normally, will have difficulties this season. Bakers have been restricted to only two kinds of standard breads , with fancy bread, pastries and rolls prohibited. The Italian crop is about equal to the average of the past five years, although smaller than last season. Nevertheless, it will be insufficient for home needs, unless great economies are practiced.

Primary receipts were light at 971,000 bu versus 1,388,000 bu last week, and 1,156,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 258,000 bu.

Without adequate buying power, and with milling demand still poor, the market sagged, and there was further discouragement when lard and soybeans went into new low ground. Of course, the fact that exports are restricted practically in all lines due to the blockade, creates the belief that there might be difficulties in getting much of a rally in commodities except in individual instances. At the last September wheat showed a decline of 5/8¢ per bu, while the December future closed 1/2¢ lower.

Trade in corn was light, but the weather map was a little more favorable for rain, and reactions took place following yesterday's advance.

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CHICAGO August 9, 1940.

It is not pure accident that history has recorded some of the sharpest price declines due to governmental intervention, when artificial means were adopted to prevent normal laws of supply and demand from functioning. Very often, many political attempts which appear right in theory have their secondary consequences. It took us several years to pay the full penalty for violating all commercial laws and withholding our wheat surpluses from export channels, following the Farm Board era. It is not difficult, therefore, to understand why the experienced businessman in this country has a mental dread of any artificial scheme of price-fixing. The very threat of substituting political laws in place of economic laws has a certain horror for us all. We can well understand why administrators in Canada should try to prevent unduly low prices when there has been a record carryover, with another large crop in sight. Yet, keeping pegged limits on that market is not bringing in any additional buying from speculators, from domestic mills or for export, and how this will finally wind up is rather difficult to forecast at this writing.

The trade here is reluctant to make commitments on the constructive side of the market when they see such heavy supplies in the show windows. Later in the day, we shall have the August estimate of the Department of Agriculture for spring and winter wheat, but in all probability these figures will not vary a great deal from earlier estimates. While, statistically, the situation in wheat is bearish, there is no appreciable short selling, owing to the fact that a great deal of wheat has been impounded, and temporarily at least, this wheat is withheld from the markets. Therefore, it has the same effect as though we had raised a shorter crop until such period as farmers redeem their loans, or else default on them at which time the grain goes back into circulation. There is, of course, one difference: namely, the psychological aspect which prevents buyers from taking a position with the fear that sometime this wheat will circulate on the market.

Under such circumstances, it is not surprising that we have been in a rut now for several weeks, and at the moment, there is no indication that better times are ahead. Even the war and greater activity by way of airplane conflict between Britain and Germany has failed to arouse any interest, and this is contrary to what many would have believed possible a year ago, because at that time even war talk had a very stimulating influence upon price structure. The trade, of course, had in mind what happened during the first World War, when there was a tremendous demand for grain, and when, despite the blockade, many of the European countries were able to get supplies from this side.

The Argentine surplus of wheat is down to about 15 million bu compared with 138 million bu last year, but even this comparative shortage is hardly ever alluded to because of the tremendous North American supplies.

There had been some rather widespread moisture overnight, and while the corn belt is not fully relieved, map readers thought that southern and central portions of Illinois and Indiana might be further benefited, and this contributed to the general speculative indifference.

Total transactions in wheat were only 6 million bu yesterday--something almost unheard of during August, and this is indicative of the stagnation which exists.

Primary receipts were light at 992,000 bu versus 1,221,000 bu last week, and 1,270,000 bu last year. Kansas City, Duluth, and Minneapolis stocks so far this week show a net decrease of 465,000 bu; the large decrease was at Duluth. When the visible supply is posted Monday, it will compare with last year's increase of about 2 million bu.

There was very little feature to the market. The trade was in a waiting mood to see what the government report would show. New low prices for the season at Minneapolis had very little influence here. Net changes in this market were unimportant.

Corn was firm, and some believe that reasonable damage has been sustained already, and account must be taken of it even granting that rains may arrest further deterioration.

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CHICAGO August 12, 1940

In trying to evaluate the merit of crop observers, we find that their estimates come much nearer the actual in years when deterioration takes place than when crops make great recoveries. Last December, there was a prospect of a winter wheat crop of 400 million bu, and under normal conditions, a spring wheat crop of 200 million bu, or a total production of 600 million bu. According to the last government report, the indicated yield was 760 million bu, and practically none of the experts prepared the trade for such large supplies. We presume that human nature is somewhat pessimistic, but where there is life there is hope, and one whose business it is to forecast crops, or to look into the future must have the proper regard for recoveries, recognizing that there are always two sides to every situation.

One of our friends in Canada made the statement about a month ago that he felt it would take a miracle in the way of rain and weather conditions to bring about sufficient improvement to raise prospects to last year's level. However, he was fair in his judgment, pointing out that at least the possibility existed. He now says that in his opinion the miracle took the form of generous rains that fell in practically every district just as the wheat was about to fill. As a result, reports that are coming in indicate that it is quite possible the total production will again be over 460 million bu for the Prairies. This view, however, is not shared by a good many others, who, apparently, are more conservative in their outlook. The five-year average, 1933-37, was only 229 million bu. Should the outside figure be realized, North America would have the largest surplus in years, particularly when to the above figures, the carryover reserves of both countries are added. Our government estimates the U. S. carryover at 284 million bu, and it is likely that Canada's reserve stock was equally as large; therefore, the two countries should have about 570 million bu of wheat from past crops.

With a picture of this kind, it is not very easy to be a believer in immediately higher prices. Some are hopeful that, with the large quantities that have been impounded in this country, we may have some improvement later on. It will take patience, in our judgment, for this to happen. Today, for instance, September wheat in Minneapolis sold at a new season's low, and the price of this delivery was nearly 18¢ under the loan value, which is evidence that there must be enough free wheat for the time being to bring about such a situation. Of course, those farmers who are in position to take advantage of the government's more liberal terms will probably freeze their grain, electing finally to default on their contract, unless there should be an advance of sufficient importance whereby they could pay off their obligation and obtain a better market price.

Primary receipts were 1,833,000 bu, compared with 1,639,000 last week and 1,204,000 last year. When the visible supply of wheat was posted, it showed an increase of 2,710,000 bu. The total supply in all positions is 156,572,000 bu, or about 10 1/2 million bu in excess of last year. Chicago wheat stocks increased 584,000 bu, and there is now more than 16 million bu here in Chicago - the largest in some time.

There was very little feature to the market. There was some widening of the carrying charge; apparently, longs in the nearby months were changing over to the more deferred deliveries.

Corn was inclined to be slightly easier. There had been pretty fair rains in Iowa; also, some moisture in Illinois and Indiana with the prospect for more to come. The visible supply increased 242,000 bu, but this had very little influence upon the market.

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CHICAGO August 13, 1940

With the Nazis striking with new fury against England, many observers were of the opinion that the Battle of Britain was on. Massive airplane assault, which started several days ago, became intensified, particularly against British naval bases and airdromes. Those who had watched German tactics in Poland, Norway and Western Europe thought it was quite clear that Germany was again trying to bring maximum destruction to railways, airports, naval harbors, industrial plants and gasoline tanks before ordering her troops to move.

In any event, the long-awaited blitzkrieg occupied the center of attention, with the result that the securities market was very weak; and it was, therefore, a foregone conclusion that this would have a sympathetic effect upon grain markets also.

Late yesterday, it was officially announced that the Canadian carryover was in excess of 300 million bu. This is not only a record for all time, but amounts to practically three years' home consumption for Canada, and represents a larger quantity of wheat than was raised, on an average, in that country annually during the period of 1933 to 1937. It is now an established fact that the reserve supply in North America from previous crops amounts to 584 million bu. If we add to this 760 million bu, which was the last government estimate for the combined spring and winter wheat crops in the U. S., and 450 million bu, the prospective Canadian crop, it would appear that total supplies in North America will amount to 1,794 million bu-- probably the largest quantity that ever had to be reckoned with. It is not likely that shipments from the two countries together will amount to more than 400 million bu during the coming season, even granting that yields in Argentina and Australia turn out poorly. After allowing for a normal domestic consumption in the two countries, it would follow that the carryover in North America one year hence will be fully as large as at present. Therefore, from a statistical point of view, the picture is extremely bearish.

This may have had something to do with today's weakness also, but yet, when the liquidation had subsided and prices in Chicago went to new season's lows, there were fair recoveries, and many people are of the opinion that we shall not have extremely low prices, at least for the U. S., with such large quantities of wheat being impounded. At the same time, those who are playing the constructive side of the market are not getting much encouragement from recent developments.

There have been fair rains over the winter wheat areas during the past two or three weeks, and a report from Kansas this morning claimed that moisture had fallen to some extent over most sections of that State in varying quantities. This, of course, aids materially in getting the soil ready for fall planting. Thus, we may have a different situation from last year, when the start of the season was anything but propitious for the best development of the crop. Had it not been for the better-than-average weather which followed fall planting, we might even have had a calamity in the Southwest, although same was finally averted because of wonderful spring moisture. When the government report last December gave its condition figure, it showed that the crop was only 55% of normal, which was the lowest ever reached, and judging from present conditions, we shall hardly have a repetition of that situation during the coming months.

Primary receipts today were fairly liberal-- 1,710,000 bu vs. 1,162,000 bu last week and 1,329,000 bu last year. Minneapolis and Kansas City stocks so far this week show a net increase of 152,000 bu. There is growing concern in Canada as to what they will do with all the wheat when it moves, and possibly a portion of it will be sent to the U. S. because of the limited facilities in the Dominion. We understand that the field is being explored from many angles at the present time.

Our market had a fairly good recovery from the early break, but yet, September wheat at the last was 3/4¢ lower, while the December future closed 1¢ down.

Corn was fairly steady. The damage that has been sustained is apparently a partial offset to the large carryover, and there was a fair amount of short covering in the pit today, with the movement from the country only moderate.

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CHICAGO August 14, 1940

German blitzkrieg activity against Britain was on a greatly diminished scale today.

With comparative quiet, at least temporarily, on the other side, the grain trade had a chance to study statistics again, and a recent statement from Ottawa that the government might be forced to declare a national emergency to deal with the problem of a glutted wheat market and a bumper crop rather put a damper on bullish enthusiasm.Marketing of the huge Western crop in Canada, which is now being harvested, with prospects that it might reach 500 million bu, is quite sensational, taking into account that this comes on top of a carryover estimated slightly in excess of 300 million bu. Farm stocks at the present time are reported at 17 million bu. The balance of the reserve supplies is mostly in Canada, with 273 million bu in the various elevators, although there is 27 million bu already in the U. S. in various positions, probably most of this wheat being here in bond. During the past five years, farmers have marketed about 71% of their crop by the end of October, and apparently, the need of funds was the motivating factor. Should they endeavor to do the same thing this year, it would mean that about 350 million bu of wheat would come forward from the farms, but there is not sufficient space to take care of any such quantity of grain without a tremendous expansion in exports. Furthermore, there will be some oats, barley and other cereals that will also be harvested, and space must be found for these articles as well as for the wheat. Therefore, it would not be at all surprising if the Canadian government would make every effort to get much larger quantities of grain into the U. S. until such time as a foreign demand should spring up.

The present Canadian Wheat Board has been revised in such a manner, giving the Board power to regulate deliveries of all kinds, and very likely delivery quotas will be resorted to in order that producers who harvest at an early date will not seize all the available space. Of course, as exports and consumption relieve the situation, the quotas will be extended, but in any event, it appears as though Canada had a big problem before her.

In our own country, crop and carryover are estimated at 1,044 million bu; deducting the domestic disappearance, which the government holds tentatively at 675 million bu, we have available for export and next year's carryover nearly 370 million bu of wheat. This also is a very large quantity considering that the foreign demand is so poor.

Later on, there may be some relief if Southern Hemisphere crops are disappointing. A dispatch from Australia today by the Associated Press claims that production in that country will be about 100 million bu smaller than last season, when they had a yield of 210 million bu.

This in itself is not such a tragedy, since shipments are very precarious because of the long haul, and carryover stocks will probably be large. However, with dry weather continuing, complaints of poor condition are becoming numerous. There has been some improvement in the Argentine weather situation, although lower temperatures, together with clearing weather, are still to be desired. The condition of the early-seeded wheat is generally favorable, but in parts of the North rust has been found, and it will be sometime yet before accurate estimates will mean much.

Today's primary receipts were 1,456,000 bu compared with 1,007,000 last week and 1,037,000 last year. Minneapolis and Kansas City stocks so far this week show a net increase of 102,000 bu.

Trade was extremely moderate-- probably smaller than yesterday, when about 19 million bu of wheat were transacted in the pit. Carrying charges widened slightly, but spreading operations held at a minimum.

At the last September wheat showed a decline of 5/8¢ a bu, while the December future was down 3/8¢.

Corn was slightly easier. There had been some moisture over the belt and more is expected. Recent short covering has weakened the technical position of the market. Volume of trade, however, was small.

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CHICAGO August 15, 1940

In normal times, half the European imports of wheat and flour are taken by England; therefore, British requirements are a very important factor in relation to the world's wheat price. It is even more important at present owing to the blockade, which has made it almost impossible for the Continent to get overseas supplies. The object of British rationing is not so much with the idea of keeping out of their country commodities that are scarce, as it is to cut out needless imports and thus save ships for other purposes.. Also, it is well to build up more substantial stocks of all commodities. With the blitzkrieg having started a few days ago, shipping difficulties are likely to grow, and it is now hoped that by rationing, it will make such commodities as tea, fats and sugar available in more plentiful quantities during the harder winter months. Experience has taught all warring nations that food control is not only necessary, but that rationing is actually a source of strength.

The war has continued for nearly a year, and we find that British food stocks and supplies are remarkably high, and the chief problems confronting the authorities are problems of price and good nutrition rather than of shortage. The price of bread, flour, home-produced meats and bacon is particularly held down by subsidy.

We see no reason to change our previously expressed opinion that the bulk of the British wheat imports during the coming year will come from her own colonies, principally Canada. Already an agreement has been entered into whereby she will take 100 million bu of Canadian wheat, and very likely, this figure will be exceeded twofold because of the poorer crop prospects in Australia, and also, because of the shorter haul, via the Atlantic, and thirdly, because Canadian supplies may prove burdensome and storage facilities may be entirely insufficient before many months pass.

There was very little European news today. Counterattacks by England were rather forceful, and Churchill, in Commons, stated that, although his nation was much stronger than it had been, there was still the danger of invasion; but we note that in today's conflict, English fighters bagged twenty German planes, which was the largest score for a single engagement since mass air warfare started.

There was not much grain news overnight. A general showery condition had been reported, and rains in Illinois were welcome, with the probability that more would follow. This created an easier undertone in corn, also influencing the wheat market.

In our Northwest, wheat receipts started to pick up. Minneapolis and Duluth had a total of 1,061 cars today compared with only 323 last week and 708 last year. While the bulk of the grain is being impounded, there is at least some of it coming on the open market, and thus, a few hedging sales, although in comparison with normal times it is extremely light.

In addition to finding storage for domestic grain, we are told that about 6 million bu of space at Duluth has been contracted by Canadian interests; so we shall probably be compelled to help our Northern neighbor because of the inadequacy of Canadian warehouses.

Our own chances for export are slim. With England conserving dollar exchange for war necessities and being able to get grain from her own Nationals, large sales such as took place last year are almost out of the picture. Subsidies to the Orient, to the Philippines, and to Central and South America will also be unavailing, insofar as heavy clearances are concerned. Since July 1st, we have exported only about 4 million bu of wheat, and with a crop and carryover of 1,044 million bu, we still have reserve supplies of 365 million bu on hand, which will either have to be shipped or carried over into the 1941 crop.

Today's primaries were better because of a larger spring wheat movement, amounting to 1,507,000 bu vs. 971,000 bu last week and 1,577,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 178,000 bu.

Market sagged during most of the session, wheat futures going into new low ground, and buying power was rather feeble.

Despite comparative strength in September corn, the distant futures were weak, with rains in the Central States forecast.

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CHICAGO August 16, 1940

England is the sole remaining European market of any importance, with an absorptive capacity of about one-third of the potential Canadian surplus. This seems a rather drastic statement to make, but in spite of the urgent European requirements on the Continent, the British blockade is allowing very little grain to filter through. Reports from Western Continental countries confirm the fact that the bread grain situation is becoming increasingly serious. In parts of occupied France, the harvest may not even be gathered. Labor is extremely scarce and with the overflow of refugees into the unocuppied areas, it has been practically impossible to organize farm lands on an adequate scale to permit harvesting operations. Holland and Belgium must try to supplement their own meager supplies by imports, and we have it on good authority that Germany has admitted she has no surplus. According to Broomhall, he figures that the Continent as a whole, owing to poor crop prospects, may have a bread grain deficiency of 400 million bu. As he puts it, the position would be less serious if even distribution of production should be guaranteed, but of course, this is out of the question.

All through history, conquering nations have taken care of their own needs first, and there is no reason to believe that Germany, who is thus far the conquering country, will deprive herself of supplies; therefore, it is almost a foregone conclusion that the countries of Western Europe, which normally depend upon North America or the Southern Hemisphere for their bread grain supplies, may have great hardships during the coming winter months.

Our market today was influenced by general discouragement, together with September liquidation. Students are beginning to recognize that crop control measures do not always work out the way they are planned. The government has spent billions of dollars trying to curtail production. In addition to this , the winter wheat crop last Fall started with a condition of only 55%, which was the lowest on record, yet we harvested over 556 million bu, which is only 15 million bu smaller than the 10-year average (1929-38). In the spring wheat territory there is an even worse showing, with the government estimate indicating a production of 204 million bu, which compares with yields of only 183 million bu, the 10-year average for the same period.

What has actually happened is that the farmers, in abandoning certain acreage, have left the best land under cultivation. Furthermore, they must have used a part of their government money for the purchase of better fertilizer, and better equipment and machinery; so while the government has actually controlled the acreage, they have not been successful in controlling the yield. Even with the loan price in Chicago 12 1/2¢ above the price of September wheat, and with about 82% of the land pledged under the loan, the heavy quantities impounded have not yet had much effect marketwise. It could be argued that prices would be a good deal lower under normal conditions, but this is problematic and can never be proved. Nobody can overlook the fact that while government support has removed certain pressure from the market, it has also taken many speculators away, and those traders, who very often carry the burden during the period of peak accumulation, are lacking at this time, and this is probably one of the reasons for the general indifference. With a total open interest in wheat of only approximately 84 million bu, it shows that trade is at low ebb, and is certainly an unsatisfactory situation in years when large crops have been harvested.

Primary receipts were about 1½ million bu, which was a little larger than last week, and about the same as last year. Stocks at Kansas City, Minneapolis, and Duluth, show a net decrease so far this week of 258,000 bu.

Out of a rather clear sky, liquidation burst forth, practically all futures of various grains selling at new lows for the season. Wheat reacted with a little better milling demand, and closed 3½¢ a bu lower for the September, while the December future declined 3 1/8¢.

Corn was rather stubborn, considering sharp breaks in wheat and rye, with not much moisture reported in Illinois, Indiana, and Ohio, although a few showers are still being forecast.

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CHICAGO August 19, 1940

There were no important developments over the week-end either in Europe or at home. Both Britain and Germany minimized their own aerial losses, claiming superiority for themselves.

There had been some generous rains over the corn belt, and while some claim these were too late to do the maximum amount of good, we still believe that they may arrest further deterioration in those areas that were benefited.

Anyone who looks at the North American wheat statistics will find difficulty in becoming very bullish at this time, even granting that prices have declined over 40¢ a bu from the peak. There was probably never a time when Canada or the U. S. had less chance of doing a normal export business than at present. Canada, of course, fares better than we do, because Britain is under moral obligation to help her colony and ally, and the foreign markets that are open to us are so few and far between that even subsidies will probably not work out as they have in the past. Based on a prospective crop of 467 million bu for the Prairies, and adding 22 million bu for the East, also taking into account a crop in our country of 760 million bu and the reported carryovers for the two nations, we shall have total supplies of 1,833 million bu. This is by far the largest that we have ever had, and even surpasses the Farm Board accumulations, which ran concurrently with the time that Canada was having her troubles because of the fact that the Canadian Pool was storing up tremendous reserves rather than letting supplies come on the free market.

We tabulate below figures that will show the North American situation very clearly for the past ten years:

MILLION BUSHELS

	U.S.Crop	Canadian Crop	TOTAL	N.A.Carryover	Total Supplies
1939	754	489	1,243	356	1,599
1938	931	360	1,291	177	1,468
1937	875	180	1,055	120	1,175
1936	626	219	845	265	1,110
1935	626	281	907	361	1,268
1934	526	275	801	477	1,278
1933	551	281	832	601	1,433
1932	756	443	1,199	528	1,727
1931	941	321	1,262	469	1,731
1930	886	420	1,306	424	1,730

With probably 100 million bu more wheat in North America than at the previous peak, and with the full knowledge that the opportunity of selling to Europe is greatly minimized while the blockade remains in force, one who is bullish must look for other than statistical convictions. These are found by those who feel that artificial influences will be a great help. If we assume that approximately half of the present crop is being impounded, it would leave about 380 million bu of free wheat, together with the carryover, which consists mostly of unimpounded supplies, and this in our opinion is enough for human requirements until possibly we come into the spring months. By that time we may have a different kind of world, both politically and otherwise, so that in trying to look too far ahead, there are uncertainties which cannot be foretold at this time. In any event, the tightness that so many people have expected may not develop until much later in the season.

When the visible supply of wheat was posted, it showed an increase of 771,000 bu. Total stocks are 157,343,000 bu, or nearly 11 million more than last year. Chicago stocks increased 92,000 bu, with 16 1/4 million bu of wheat locally held. Today's primaries were quite large, exceeding figures of last week and last year, and carlot receipts in the Northwest show that a big movement is under way, although much of this wheat is going into storage.

Our market was never very strong, and it seems that new buying power is at low ebb. There had apparently been some milling business and the removal of these hedges helped, but the volume was insufficient. At the close September wheat showed a decline of 1/2¢ a bu, while the December future was down the same.

Corn continued rather stubborn, even with the good moisture that was reported in Illinois, Indiana and Ohio. The visible supply declined slightly, and it seems rather difficult even with the tremendous quantities back in the country to get heavier offerings. It is this artificial situation that keeps the September future so strong over the deferred months, and in fact, influences the entire market.

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CHICAGO August 20, 1940

It was just a year ago that Germany and Russia had concluded a non-aggression pact with each other. There was great chaos in Europe and political news held the center of attention. The British Cabinet was unanimous in its decision that Poland should be protected, and assurances were given to the Central Powers to that effect. At that very time, the U. S. government announced that export subsidies on wheat would start again. These various factors were regarded as somewhat bullish by the trade, although we did not fully concur with general sentiment. Quoting from our own market letter, we stated:

> "Most traders still have in mind the last war, when almost all of Europe was involved and when finally we became engaged in the fighting. With manpower busy for defense and European fields devastated, it created a much larger demand; but at that time neither Canada nor the Argentine had such tremendous surpluses; nor had Europe built up reserve stocks. Therefore, there are these differences, and it is well to bear them in mind, because no two situations are ever exactly alike. Of course, war psychology would be sufficient to give us wide upswings, at least at the start, but finally it might be quite another picture."

This morning, Mr. Churchill addressed the Commons. He disclosed that British dead, wounded and missing in the present war, including civilians, are 92,000 in contrast with 365,000 during the first year of the World War. He was emphatic that Britain would maintain her blockade over Germany, Italy, France and every country in German hands, and refuse to allow food to pass through the blockade.

It is this very factor that makes us so cautious about the future. During the past two or three seasons, we have been able to help ourselves in some measure through subsidies, but most of this wheat was shipped to Europe, and at the present time only England and Spain are able to get supplies through the blockade. With the Continent cut off from some 400 million bu of grain and flour, which is normally imported from non-European countries, the war, instead of being a bullish factor is actually presenting some great problems to those nations having a surplus.

It has been extremely quiet in export grain circles for several weeks, and no large engagements have been entered into by the British, although it was tentatively understood that Britain would take at least 100 million bu of wheat from Canada during the present season, and in our opinion, this figure will be exceeded. As we have pointed out so often, the latter country was never better able to handle large clearances than now. The present visible supply in that country is 284 million bu, compared with only 95 million bu a year ago. Further additions to their stocks will be limited only by the capacity to store grain, and very likely, much more will be heard of those difficulties as time goes on.

The fact that minimum prices have all been suspended in the Argentine was hardly a factor, because their suplus is down to very small proportions, and it will be several months yet before supplies from the new crop will be available.

In our own Northwest, receipts were a little lighter today. Minneapolis and Duluth had a total of 775 cars of wheat, which was smaller than last week, when they amounted to 1,022 cars; a year ago they had 1,435 cars. However, a larger crop was harvested and we are not worrying about the movement of grain except to the extent that nobody can figure out just what proportion of the arrivals will be frozen under the loan.

Last year, war was declared early in September; prices immediately rose, and much of the spring wheat which farmers might have impounded came on the free market; therefore, a different situation is apt to arise during the next few weeks.

Primary receipts were light- less than half of last year. There was very little new hedging pressure, and therefore, the market had little difficulty in recovering from recent weakness. There was fair changing of hedges from September to December.

Corn was strong despite heavier offerings from the country.

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CHICAGO August 21, 1940

Owing to the fact that Australian clearances since last March have not been made public, we do not yet know what the world shipments were for the past season, except that they were considerably smaller than the year before, despite war in Europe. Should hostilities continue and the blockade remain effective, we anticipate a further shrinkage during the current season. Since August 1st, shipments to Europe are 8 million bu smaller than they were last year, while ex-European nations have taken 2 million less.

Our own position will also be affected; while we were able to export about 46 million bu of wheat last year, we find that this included trade with Belgium, France, Germany, Italy, The Netherlands, and Norway, all of which has changed now. Even Switzerland might have difficulty in getting supplies from here, not to speak of the United Kingdom, which seems to be taking most of her grain from the colonies. It is, of course, true that while there are tremendous reserve stocks in North America, there are some offsets in other parts of the world. For instance, in the Argentine, less than 13 million bu of wheat remain as surplus, so that shipments until a new crop is available could not average more than 3/4 million bu per week. Later on, there may be a short crop in Australia, as complaints of continued dryness are increasing, and apart from some occasional light rains, which afforded temporary relief, there has been practically nothing of importance during the past three months. Germination is poor, and under such conditions, yields are very often disappointing, although the demand from Australia because of the long haul has been rather poor; during the past three weeks, the visible supply has decreased only about 4 1/2 million bu. Total visible stocks in that country are 94 million bu, compared with only 15 3/4 millions a year ago.

Taking the world picture as a whole, we can see no close adjustment between supply and demand, even assuming that there would be a sudden peace, in which case an immediate demand would spring up for the surplus grain. On the other hand, while war continues, there are many problems facing export nations. We find that the loss of European markets will cause great hardship to the Argentine, where the corn crop this year is 100 million bu larger than the five-year average. Ordinarily, Europe absorbs about 85% of their surplus corn, and in view of the poor outlook for business, the government has authorized agencies to bag corn and to store it until such time as conditions change. Later on, there may be storage inconveniencesin Canada, and that government is considering an amendment to the regulations, so that deliveries may be made in warehouses and other off-site storage premises heretofore unused.

In our own country, Northwest receipts were better today, Minneapolis and Duluth receiving 1,111 cars of wheat as compared with only 724 last year.

In the early trade there was a better milling demand; hedges were covered, and Minneapolis strength caused a rally in our market, but it was rather shortlived. Extreme weakness was also avoided, and there seemed some support when the market broke, but on the whole, trade was rather light-- probably much the same as yesterday when about 15 million bu changed hands in the pit. Apparently, recent milling business in the Northwest was of better volume than had been indicated by daily reports.

Primary receipts were 2,100,000 bu vs. 1,458,000 last week and 1,532,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 981,000 bu, suggesting that we shall have a further addition to the visible supply next Monday.

At the last, prices were not greatly changed from the previous session. The September delivery showed a decline of 1/4¢ a bu,while the December future was 3/8¢ lower.

Corn was quite indifferent; there was weakness at times in sympathy with wheat, and also, because of larger offerings from the country. It seems, however, that bookings to Chicago dry up on declines. There was very little crop news of importance and the indications are for mostly clear weather with stationary temperatures.

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CHICAGO August 22, 1940

A year ago at this time, we started the season with total supplies of 1,009 million bu of wheat. We later exported 46 million bu, and at the end of the crop-year, carried over 284 million bu; therefore, we may deduct that domestic requirements were 679 million bu. The government, in making its calculations for the current season, figures that home needs will be about the same as for the previous year. Much, of course, depends upon the quantities of wheat fed to livestock, but we know that during past years, approximately 125 million bu was so consumed. We must also take into account that ordinarily about 75 million bu of wheat is needed for seed; consequently, there is, roughly, 200 million bu which never leaves the farms. So this wheat would not be impounded since the farmers would have to use it for their own requirements. If we assume that domestic consumption would be about 700 million bu, the chances are that of this quantity only 500 million bu would be used for human needs, including the grinding of wheat into flour; also, for cereals, etc. When we make allowance for the fact that 284 million bu was carried over from the previous crop, it will thus be seen that if our exports during the present season are small, as we believe they will be, it will not take very much wheat from this year's harvest to make up the difference between supply and demand.

It is apparent, therefore, that even with the large quantities of wheat that are being impounded free supplies are sufficient for the time being and, owing to the fact that we need only about 40 million bu a month for human consumption, it may take considerable time before a tight situation develops. Late next spring, we may not have sufficient free wheat to carry us through, but it is difficult to come to any accurate decisions at the moment, as nobody can gauge the situation closely, and even the government's estimates on the amount of frozen wheat are not up to date. Therefore, final conclusions cannot be drawn until we have more complete data. We are convinced, however, that anybody who now assumes a bullish position because of the large quantities that are being impounded will have to exercise great patience, particularly as speculation is at low ebb. Also, we find that the milling demand is just from hand to mouth, and no large supplies are being bought for later delivery.

Broomhall, the international statistician, has just confirmed some of the thoughts that we have expressed previously: namely, that if war continues, Europe will take much smaller quantities than in previous years. He estimates total world requirements at 440 million bu, which is 120 million bu less than was estimated for last season. This is rather bearish upon Canada and may finally mean that large quantities of Manitoba wheat will come to this country for storage. We find that since their season started on August 1st, total shipments of wheat and flour are less than 4 million bu compared with 8 1/2 million bu the season earlier, and apparently, Britain is about the only good customer at this time.

There was very little war news-- in fact, aerial attacks upon Britain have slackened for the fourth straight day. This may be due to bad weather, or it may possibly be occasioned by heavy German losses during daylight attacks, but many believe that the moderation is deliberate. Meanwhile, most of the ships from this side of the Atlantic in convoy are reaching their destination, and this despite the allegations on part of Germany that she is attempting a blockade upon Britain.

Statistics were of no special importance. Primaries were 1,888,000 bu vs. 1,507,000 last week and 1,896,000 bu last year. So far this week, Kansas City and Minneapolis stocks show a net increase of 1,391,000 bu.

The market was reasonably strong; trade was dull, and new pressure was light. There was a slight tendency toward widening of carrying charges. At the last September wheat was 1/2¢ a bu higher, while the December future advanced 3/4¢.

Corn was also firm, but volume was extremely light. There seems to be no immediate issue.

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CHICAGO August 23, 1940

As the Canadian crop reaches maturity, estimates of production are being raised, and it is almost a certainty that the results will be better than last year. Yields may be over 500 million bu, which would be the second largest crop on record. This, together with a carryover of 300 million bu, which is also a new high, would all be a blessing except for the war, which has created great distortions, and we are afraid will finally lead to actual famine and starvation in parts of Europe. It is almost a paradox that with such enormous supplies in North America, Europe before long may undergo a period of extreme suffering. But the picture is shaping itself that way, according to reports that we receive from the other side of the water.

The Balkan countries, as well as Western Europe, now have to face a most difficult problem. It was the hope some weeks ago that improved weather might recuperate those crops sufficiently to provide for home requirements and furnish even a moderate surplus for export; but apparently these hopes are gradually fading. According to Broomhall, official and semi-official estimates of the wheat crops and carryovers in Rumania and Jugoslavia suggest that there may not be sufficient wheat for normal home needs. This position would even become more critical if Germany insisted on deliveries under present trade agreements. The fact that Bessarabia was recently ceded to Russia will aggravate the situation, and about ten days ago, the Rumanian Minister of Agriculture estimated that there would be a deficiency of nearly 11 million bu between crop and carryover versus actual requirements. There are also serious food situations in Western and Northern Continental countries under German domination. All cereal crops in Belgium have been "nationalized" by the Germans and the peasants have been warned that, owing to the lack of fodder, they must sacrifice a part of their cattle and poultry, as there will be insufficient feeds to keep their animals alive. The Dutch have also been instructed to reduce their poultry to one-third of the pre-war total; furthermore, Denmark's new crop will yield only two-thirds of normal requirements, while Norway's crops, together with carryover, are insufficient. All feedstuffs in Sweden have been commandeered in order to distribute them more equitably to the entire nation.

While all this is going on, we hear that drastic measures have been taken in the Argentine to take care of the surplus corn, and a percentage of it will be bagged, and thus preserved until a time when better demand arises.

With such peculiar conditions surrounding the grain markets that appear to be without precedent, it is not surprising that daily trade volume is of such small proportions. Ordinarily, with the huge surplus in North America, we would have larger carrying charges and a tremendous business. The railroads, steamship lines, and other carriers would all be in position to take the grain from farms to ultimate consumers, and the carrying charge, which is generally borne by speculators, would not be transferred to the backs of taxpayers, as is the case at present.

We pointed out yesterday that almost one-third of the domestic requirements of wheat in this country comprises those supplies that are needed for seed and feed, and the amount for human consumption this year would probably not exceed 500 million bu. With a carryover of 284 million bu from the previous crop, we have more than half the quantity needed for the latter purpose, and there must be easily 100 million bu of free wheat that came from the farms after harvest, so that there can be no acute shortage for many months, even granting that large quantities are being impounded. Thus, we find that with these quantities of free wheat at terminals, there is a tendency for wider carrying charges, and very likely, deliveries on September contracts will be of fair proportions.

There was very little change in the statistics, primaries approximating those of last year. Kansas City, Duluth, and Minneapolis stocks show a net increase of 2,396,000 bu, suggesting a moderate gain in the visible next Monday, which will compare with an increase of 864,000 bu a year ago. With the lighter milling demand, prices eased, the September future being the weakest, closing 1 3/8¢ a bu lower.

Corn was influenced by the general indifference of the leading cereal and heavier bookings from the country.

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CHICAGO August 26, 1940.

Considerable aerial activity was reported over the weekend, and it was demonstrated that airplanes could fly in two directions. British attacks upon Berlin were answered by anti-aircraft fire from the German Chancellery, but despite property destruction there has been nothing decisive thus far. However, British morale remains high, and the merit of her tradition, which has given her not merely wealth and strength, but also a magnificent national unity, has found expression in the solving of one great problem: namely, that of securing steady social and economic progress on as rapid a scale as in any other European country without brutality and bitterness of revolution.

Strangely enough, European events had much more market effect a year ago when hostilities were anticipated than at present when destruction seems to be the order of the day. Unlike the last war, we find a very poor demand from Europe for our surplus, and unless something takes place to break the blockade, we are afraid that a very large carryover at the end of the current season will be the result. This would ordinarily mean a continuation of low prices, particularly as the winter wheat crop will soon get off to a very good start. There has been considerable moisture,and fall work should progress much more normally than last year when much of the seed was sown in dust.

However, there is an element rather bullish on wheat, basing it on the presumption that there will be tremendous quantities impounded. The figures thus far given do not suggest anything of that kind. The report on sealing of U. S. wheat under federal loans disclosed that, as of August 16th, there was less than 67 million bu impounded, Considering that we raised about 760 million bu all told, this is much smaller than even conservative people had figured, but we are inclined to believe that there will be a good deal of guesswork until such time in December when the deadline is set for the program of farmers borrowing funds from the federal chest. There are undoubtedly a good number of producers who have taken ware-house receipts, and who have not availed themselves of the loan. Possibly they have had sufficient funds, or maybe some of them evenn borrowed from the local banks, figuring that if wheat advanced, they could sell to better advantage on the market and yet not be jeopardized, because they could always take advantage of the government's liberal policies during the next few months. This, in our opinion, creates such great uncertainties that nobody, including the government itself, could form an accurate estimate of how much grain will be frozen at the peak of operations.

Statistics were somewhat bearish today, although not much attention was paid to them. Minneapolis and Duluth had 2,800 cars of wheat compared with only 1,567 cars last year; of course, the crop was larger and weather for harvesting has been satisfactory. Today's primaries were large at 2,761,000 bu compared with 2,327,000 bu last week and 1,961,000 bu last year. When the visible supply was posted it showed an increase of 3 3/4 million bu. Total stocks are slightly over 161 million bu, or nearly 14 million bu more than a year ago. Chicago stocks were practically a standoff; there are still more than 16 million bu in elevators.

Our market was rather firm most of the session. There was some covering, but not much new investment buying. September liquidation continued, and the nearby delivery widened its discount as compared with the later months. Elevator interests were content in changing over hedges as carrying charges widened. At the last December wheat showed a gain of 1 1/8¢ per bu.

Corn was very strong despite moisture over the weekend. Many are wondering why there should be such a big premium for September over the other deliveries . It seems to be mainly a case of government holding most of the reserve supplies, and, therefore, there is very little pressure upon the market , industries just getting about their bare requirements.

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CHICAGO August 27, 1940.

The war has been in progress for nearly a year. A number of geographical changes have taken place, many of which cannot be finally determined until after we have peace. The invasion of many countries by Germany has wrought numerous changes even to nations that were formerly self-sufficient. We have in mind France, a country which at times often exported surplus goods. Though crops were gathered only a few weeks ago, the food situation is already dangerous. Refugees far exceed the number which the various provinces ruined by war, could hope to feed. Added to the food costs are those of the army of occupation, which the Germans are attempting to reclaim from the Vichy government. The Germans have to face the likelihood of famine and the possibility of anarchy. Other nations which were dependent upon imports may fare worse. In Britain, there is probably a larger supply of food than ever before. The public money is devoted to the cheapening of food prices in order to keep people satisfied. When the needs of war make it necessary to enforce a general lowering of the standard of living, many artificial stimuli are resorted to.

It has been difficult for speculators in this country to try to evaluate properly what various commodities should be worth, and as a result we find that with large North American supplies, wheat is about unchanged from what it was twelve months ago, while cash corn prices are about 40% higher. The latter, of course, was a domestic proposition, aided greatly by the loan, which kept the surplus off the market. Whether this will finally be repeated in wheat is a question, and it cannot be satisfactorily answered until we know how much wheat is being impounded.

It is a fact, however, that we are getting wonderful rains with intermittent regularity all over the Southwestern sections, and as a result, the seed beds may be the best that we have had in years. Every student of wheat knows how important this is. It is almost foolish to talk about a surplus from the next crop when we are still worrying about excess supplies now on hand. Yet, one must face realities. Acreage a year ago might have been much larger, in spite of the government, had it not been necessary in many sections to sow the seed in dust. Naturally, it will be a great temptation now to plant as big an acreage as possible; therefore, we may have a further piling up of supplies for a long time to come. As against this theory, there are those who figure that the war may end suddenly and soon thereafter the United States will finance wheat and flour shipments to Europe's needy. This overlooks the fact that Canada also has tremendous supplies and may have to do something artificial in order to avoid disaster in that country.

Northwest receipts were large; Minneapolis and Duluth had 1,496 cars. However, 167 of the cars at Duluth comprised bonded wheat, apparently coming to the United States from Canada for storage. Last year there were 1,375 cars. Pressure upon the market was very light today, and with a slightly better milling inquiry some hedges were taken out, which gave us strength. Furthermore, with elevator interests going over on some of their hedges from September to December it also created the feeling that possibly the September liquidation would be cared for at present limits. Today's primaries were 2,582,000 bu versus 1,173,000 bu last week, and 2,879,000 b u last year. Kansas City and Minneapolis stocks so far this week show a net increase of 892,000 bu.

A dispatch from Washington claimed that the government might find it necessary under the law to make next year's loan price on corn 61¢. This had a slightly bullish influence upon the deferred deliveries of corn, and in fact, created a somewhat bullish sentiment in other cereals as well. Shorts in various pits covered, and this gave us more or less strength all around.

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CHICAGO August 28, 1940.

Some traders ascribe part of yesterday's strength to trouble in the Balkans. However, the Rumanian-Russian border disturbance was settled after three days of intermittent fighting on the Bessarabian frontier. Today, it was claimed, although only a rumor, that an agreement between Britain and Russia was pending and that Anthony Eden was heading a commission attempting negotiations between the two countries.

Our grain market started off firmly; new pressure was exceedingly light, although it was apparent that short covering, which had taken place rather extensively yesterday, was less in evidence today. There was, however, a slightly better milling inquiry, particularly in the Northwest, and according to the Northwestern Miller, flour sales the past week were 169% of capacity, compared with 164% the previous week. The Southwestern mills also reported some betterment, average sales amounting to 93% against only 78% a week earlier. It is only natural after such sharp breaks, which have carried levels to the season's lowest, that bakers and other buyers would become interested; but owing to the fact that our domestic consumption is about constant, we see no particular significance to these upturns.

Possibly the government's intention to maintain artificial influences had as much to do with the recent recovery as anything else. First of all, a 61¢ loan price for corn is bound to tie up tremendous quantities, and this is being recognized by those who are in charge of affairs in Washington. The Department of Agriculture has asked for bids on steel bins to provide storage space for a minimum of 60 million bu of corn, which later on may be delivered to the Commodity Credit Corporation in settlement of past loans. Should this continue for a period of years with normal crops being raised, we might finally be faced with a never-normal granary, and particularly so in corn, since exports to Europe are almost impossible while the blockade lasts, and later on, the bulk of exports might come from the Argentine where present supplies are much larger than in ordinary times.

World's wheat shipments are rather disappointing. Since August 1st, they have been 12 million bu less to Europe than the previous season, while non-European countries have taken 4 million bu less. Therefore, Broomhall is probably correct in believing that requirements for the entire season may be about 120 million bu smaller than last year. Our own thought is that until supplies in North America are radically reduced, it will be difficult to have the foundation for a real bull market. Naturally, one must recognize that Britain is more or less dependent upon Canada, and even today, it was reported that large Canadian sales were made, but they were for December and January shipment, indicating that England's supplies for the moment are ample. Should the Australian crop turn out badly, it would, of course, be quite a help to our Northern neighbor. Weather conditions in Australia have been poor now for three months, and unless good rains come within a fortnight, it is claimed that thousands of farmers will be faced with ruin. However, Canada is well able to make up the deficiency, and at the present time her visible supply, exclusive of stocks in farmers' hands, is 184 million bu more than last year.

Political news from Europe was of about the same tenor. British morale is high and the English would apparently detest any solution for Europe that Hitler might recommend; therefore, they keep fighting with continued vigor. It looks less as though Germany would attempt a land invasion. One military authority claims that this would be doomed to failure; therefore, he suggests that Hitler plans a long air siege, since it is apparent that Germany's earlier hope of a "knock-out" blow has faded. He looks for a protracted, tedious, and stubborn air struggle, in which only British air power can finally succeed. If this forecast is correct, it probably means that Continental Europe will have a long winter, with probably insufficient food supplies to take care of the populace.

Primaries of 1,376,000 bu were smaller than both last week and last year. Kansas City and Minneapolis stocks so far this week show a net increase of 1,137,000 bu.

Trade was quiet compared with yesterday, although there was more resistance on advances. The close was unchanged.

Corn was firm, but trade rather light. There was no particular feature.

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CHICAGO August 29, 1940.

With a crop and carryover in this country of at least 1,045 million bu, and little chance that we shall consume and export in excess of 745 million bu, it is almost a foregone conclusion that the carryover reserves at the end of the season will be very large. Some now believe that the spring wheat crop has been underestimated; therefore, we may finally have over 300 million bu as reserve stocks, compared with 284 million bu last July. Of paramount importance, however, is the amount being impounded. Naturally, if 300 million bu or more were frozen, it would mean that finally the government would own the entire carryover, much the same as they do in corn. Late yesterday, the CCC reported that 82 million bu of wheat had been tied up under the loan up to August 23rd. This compared with 57 million bu last year, and assuming that the same ratio would be maintained, it is possible that we may have 245 million bu or so impounded at the peak, compared with 170 million bu last year. Nobody can be sure of relationships, nor of the farmers exact psychology; consequently, a surmise of this kind may be subject to a good many changes before the end of the season. Also, one has to recognize that in the current season these are demand loans and not time loans. Therefore, if there should be a change in administration, or even presuming that the same administration would continue in office, there might be changes in world's conditions, whereby the farmers would be asked to pay off their loans sometime during the spring.

In any event, there seems to be enough free wheat for all purposes at this writing. So it is not surprising that September wheat is selling at big discounts under the deferred months. However, May wheat at about 76¢ would not have to advance terribly far in order to bring out impounded wheat, even if the loan policy would be carried through until next season. Therefore, the chances for a big bull market, in our opinion, are not very great, unless there should be a material change in statistics either in North America or in the balance of the world.

Advises from the Southern Hemisphere are quite mixed. Deterioration continues in Australia, with western sections suffering the most. It is now claimed that even with normal rainfall for the remainder of the growing period, production for the coming season is estimated at only 110 million bu. This is about 25% below the five-year average, and deducting 55 million bu for home use, they would have very little surplus, except for the fact that the visible now is 93 1/2 million bu against only 14 1/2 millions a year ago; so they are faced with a much larger carryover. In the Argentine, where excessive rains and warm weather have prevailed early, there has been a marked improvement, Broomhall claiming that it has turned cool and clear. However, some believe that there will be a 10 to 15% reduction in the wheat acreage this next season.

Taking everything into account, and assuming that the war will last, import requirements, calling for 440 million bu of wheat, allow for a weekly average of only 8 1/2 million bu. This is not only smaller than last year but also runs less than at the beginning of the World War as far along as 1917. It was only the last year of the great war, in other words, 1917-18, that world's shipments fell below the figure now being anticipated. Since July 1, 1940, the United States has cleared slightly over 6 million bu of wheat and flour. This shows that Latin-American countries must have taken some of our products as there is practically no chance of doing business with either Britain or the Continent.

Primary receipts were 2,342,000 bu vs. 1,888,000 last week and 2,130,000 last year. So far this week, Kansas City and Minneapolis stocks show a net increase of 1,524,000 bu.

There was very little feature to the market. Some milling demand was reported but not a great many hedges were taken out of the pit. There was, however, considerable changing between September and December wheat prior to delivery period. At the last September wheat was 1/8¢ per bu lower, while the December future declined the same.

Corn was indifferent; offerings from the country were the largest in some time, weakening the nearby month compared with the deferred.

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CHICAGO August 30, 1940.

This is generally a period in the grain trade when very little news is to be expected from day to day. The Southwest crops have been pretty well harvested, and weather in the Northwest is not ultra-important for the reason that there is so much wheat already on hand that even a few days' delay in harvesting operations will make little difference. The size of the crops is fairly well established and when we get the government report in September, we shall probably find that there has been close to 220 million bu spring wheat raised; thus total production may be 75 million bu more than is required for domestic consumption, and certainly a higher figure than anyone had dreamed of a few months ago. The Canadian crop will probably yield well over 500 million bu for all of Canada, and so, from a statistical point of view, there may not be any changes until later on when we can tell more about the results of the Southern Hemisphere crops.

At the moment the question of storage and the amounts of wheat impounded are taking the center of attention. Last year, the grain trade had much reason for complaint because of steel bins which had been constructed to accommodate about 80 million bu of corn, and thus there was definite government competition with private enterprise. According to the Grain & Feed Dealers National Association, a different plan is being embarked upon this season. It is true that about 3,000 additional steel bins may be constructed, but the CCC indicates that this additional storage will be more for the overflow of corn and that the country and terminal elevators will be given the first opportunity, if space is available, to take care of the grain that is to be stored. In other words, commercial warehouse space will receive preference. It is well that arrangements are being made in ample time, because we should not be surprised to see a fair quantity of Canadian wheat placed in U. S. storage under bond before many weeks pass. The shortage of storage facilities in Canada, resulting from the heavy carryover, together with a large crop in the West this year, will necessitate quite a bit of strategy, going so far as to keep wheat on farms until elevator room is available.

Northwest carlot receipts of wheat were 1,058 cars --just about the same as last year, but slightly smaller than a week ago. No doubt, with clearing weather, there will be a pretty fair movement for some time to come.

In the Southwest, great optimism prevails, as very favorable wheat seeding conditions are in prospect. One authority claims that conditions are better than at any time since the fall of 1930.

Primary receipts were large at 2,219,000 bu versus 2,078,000 bu last week, and 1,849,000 bu last year. Kansas City, Duluth and Minneapolis stocks show a net increase of practically six million bu, thus indicating a fairly good gain in the visible supply next Monday. A year ago the increase was 2 1/2 million bu, and we then reached the maximum supply of the season when total stocks were about 150 million bu.

While there was little grain news today to account for the advance, there was the feeling that more difficulties might be brewing in the Balkans, and that Hitler was having his troubles. This created greater strength in stocks, and with a better investment buying, grains also were led to a higher closing level. There was a fair amount of September liquidation, and elevators apparently were willing to go over on their hedges to the deferred months. Therefore, new pressure upon the market was light. It has been a fact that with only a part of the grain in the Northwest being placed upon the market, milling demand was enough to take care of offerings, so with the open interest declining almost daily there is no burdensome pressure to absorb. At the last September wheat was 1 1/2¢ per bu higher, and the December delivery advanced 1 5/8¢ per bu.

Corn responded only moderately to the strength in wheat; with this weather many look for an improvement in crop conditions.

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CHICAGO Sept. 4, 1940.

There was very little news overnight. It had been expected for sometime that ways and means would be found of releasing 50 of our destroyers; therefore, the announcement yesterday that these had been swapped for naval bases in British possessions carried little surprise to the American public. Over the radio came several comments that Great Britain's industrial equipment remains intact. After a year of war, including several weeks of intensive air attacks, the Minister of Home Security made this announcement, thus indicating that the German bombs had apparently done little damage so far.

Shortly after our market opened private experts released their figures for the spring wheat yields. In their judgment, production prospects are about 11 million bu greater than the Government August estimate --therefore, a crop of about 216 million bu is likely. There will be no figures on winter wheat prospects until the final release is made next December.

There is, however, another element of great importance, although a minimum of interest is given to the matter at this writing. We refer to the Canadian statistical position. A crop of 530 million bu for all of Canada is in prospect; adding 300 million bu for carryover, they will have total supplies of 830 million bu. From this must be deducted, as an outside figure, 130 million bu for home consumption, and 180 million bu for export, which we also think is extremely liberal. On that basis, Canada at the end of the present season will have a carryover of 520 million bu, which is so tremendous that it will probably be one of the greatest problems that has ever confronted the Dominion, and unless the war ends more suddenly than is indicated drastic action of some kind may be required. There are no precise details of the hugh British purchase of Canadian wheat made public some weeks ago. The U K's purchase of 100 million bu for delivery in 1940-41 is claimed by Broomhall to be a welcome gesture to Canada in a season when her statesmen do not know where to turn for buyers. The same authority believes that Britain will only need about 200 million bu during the current season; therefore, Canada would do well if she sold a total of 130 to 140 million bu to the Mother country. The latter, of course, would be her best customer, as not a great deal could be sold elsewhere owing to the fact that there are very few European markets where business could be transacted; furthermore, ex-European countries will only take small quantities from Canada. Thus, the Dominion's marketing problem is far from solved, and reserve supplies at the end of the season may be about 4 times as great as her annual consumption. Or, putting it in another way, there will be enough wheat left over to supply all the world's import requirements for a whole year.

We feel that despite various artificial influences, it is well to bear in mind at all times the large North American supplies, and that is the reason we have dwelled upon them at great length. Later on we may be called upon to help in the storing of some of Canada's surplus at various elevators in this country, and one can visualize Canadian grain remaining here for several years in bond.

There was some wonderful moisture in the Southwest overnight. Even before this last precipitation the soil was generally in good condition for seeding of winter wheat, and fall work was progressing well, although not much seeding has been done taking the area as a whole. However, prospects are probably the best they have been in many seasons, and this is quite a contrast to what occurred last year when so much wheat was sown under unfavorable auspices.

Primaries were 1,988,000 bu vs. 1,376,000 bu last week, and 2,515,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 2,150,000 bu.

Our market was strong, influenced largely by more aggressiveness on part of elevator interests that changed September hedges over to later months. December wheat finally closed 5/8¢ per bu higher; the May future, however, dragged and was only up 5/8¢.

Corn was only strong for the nearby month, and a large open interest exists. The more deferred deliveries were weak, particularly the May future, which declined 1 1/4¢ per bu.

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CHICAGO Sept. 5, 1940.

After the close of the wheat market yesterday, securities became very strong, and hope seems to be gaining ground that Britain is gradually improving her position against Germany. Hitler's talk yesterday, which was largely for home progaganda and likely intended to bolster morale, made lots of threats as to what he would do. This apparently was necessary as Germany at the moment is being bombed nightly, and thus war is brought right to the front doorstep of the people, which is quite different from the last war; in fact, really the first time since Napoleon that damage has been sustained at home.

Apparently, flour buyers were impressed with the turn of events, and with some covering of futures this morning against these sales, our market was quite firm and strengthened further when a leading elevator interest continued to take September hedges out of the pit, both outright and in exchange for sales of the deferred months.

Ordinarily at this time of the year most eyes are turned towards the Southern Hemisphere, and either good or bad news in the Argentine, or in Australia, would have a definite influence here, particularly after we reach the peak of our movement. However, with North American supplies estimated at approximately 1,886,million bu, including the carryovers, it makes very little difference whether yields elsewhere in the world are a little larger or smaller, particularly with Continental Europe unable to get supplies from the surplus countries. Actually cable reports from Argentina claim that recent cold weather has improved the new crop outlook, although enough damage has apparently been sustained already, so that they will not be faced with an extra large crop this season. There is still no improvement in Australia, with the drought continuing throughout most of the country. Some think, however, that if good rains are received during September or October, the grain that has now germinated will show a marked improvement. In this connection, we had a very good example of what could happen, and we refer now to the wonderful outturn of the winter wheat crop, despite an extremely poor start.

Canada has such freak supplies this year that nobody can forecast the final outcome. During August, country deliveries were about the fourth largest on record for that month, and naturally, with such a heavy movement and light exports, elevator space is filling up quickly. The five-bushel quota on wheat deliveries also limits the amount of money the farmers receive, and as a result, there seems to be considerable agitation for federal assistance to the farmers who want cash advances on grain that is now being stored on farms. Later on, we believe that quite a little wheat will come to this country in bond for storage purposes.

Northwest wheat receipts today were fairly large, Minneapolis and Duluth reporting 916 cars, compared with only 650 last year. However, there was not much new pressure upon the market, and by far the bulk of the grain that is moving seems to go under government loan. Therefore, with a more friendly sentiment, markets here had little difficulty in advancing, although best prices of the day were not maintained, as there also was occasional profit-taking. Primary receipts were 1,493,000 bu versus 2,342,000 bu last week, and 1,426,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 2,545,000 bu. It is likely, therefore, that the visible supply next Monday will show another gain.

We continue to believe that there is a ceiling over our market; a sharp advance would bring out a fair amount of impounded wheat, and, therefore, one can never forget the statistical position. At the last December wheat showed an advance of 7/8¢ per bu, while the May was 3/4¢ higher.

Corn was relatively quiet, September was strong, and some of the longs apparently are standing for delivery. However, the deferred months were little changed, and crop prospects on the whole are being pretty well maintained. According to a Washington dispatch, the Department's corn sealing and loan renewal program involves about 390 million bu of 1938 and 1939 corn now under seal on farms. This shows how artificial the whole situation is.

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CHICAGO Sept. 6, 1940.

The abdication of King Carol of Rumania was not altogether surprising. Other events in Europe were little changed, with the exception that bombings by both sides were more aggressive than recently, and London was faced with wave after wave of thick airplane formations, the assaults probably the worst in several weeks; but British fighters took to the skies, driving a good many planes out to sea. That Hitler must continue an offensive war is still regarded likely by England, but nobody can be sure of his chronology. Possibly he is changing his strategy now that it is more easily recognized. At the start of his campaign, Hitler tried to weaken the allied defensive by dispersing troops to unexpected quarters, but this is no longer possible therefore, fresh victories are likewise on a small scale.

When our market opened this morning, wheat prices were influenced by fine moisture again in many southwestern districts. Furthermore, there was less enthusiasm in the securities market, and apparently, those who have been bullish on wheat prices had made purchases in recent sessions.

As is always the case, one hears exaggerated ideas as to how much wheat might be impounded. Last year we heard some very fancy figures, and yet only about 170 million bu was finally tied up. This year some believe that as much as 450 million bu may be frozen. They claim that the machinery is better set up, that prices are lower, and that more farmers are complying. However, to analyze an extreme statement, we have only to use our judgment a little and try to make proper deductions. With a total winter and spring wheat production of 772 million bu, there is probably 200 million bu of this quantity that will be used for feed and seed on the farms. This would leave only 572 million bu for other purposes. Anybody who claims that 450 million bu will be impounded must feel that only 122 million bu of free wheat from the present crop would be available in the regular trade channels; and on the face of it, this seems far too low in view of events. We were told this morning that some of the line houses in the Northwest made big country purchases yesterday, and even larger quantities were available this morning. Northwest receipts were quite large, Minneapolis and Duluth reporting 953 cars inspected, compared with only 799 cars last year. Therefore, when the full story is written, we doubt whether more than 300 million bu all told will be under government seal. Of course, time alone will tell whether this is correct.

In the meantime, there is some slight betterment in flour business, although not a very heavy trade is being conducted, considering relatively low prices. Furthermore, exports of U. S. wheat are not large, and ordinarily we can figure that about 70% of the exports takes place during the first three months of the crop year. Later on, there will be Southern Hemisphere competition; moreover, Canada will be ever ready to sell because of the tremendous supplies in that country and the lack of sufficient storage capacity. Fairly good progress has been made with the harvesting of crops in the Prairie provinces, although operations were temporarily delayed in certain districts because of wet weather,particularly in Manitoba and parts of Saskatchewan. The important thing, however, is that the yields were favorable, and it is almost a foregone conclusion that production was greater than last year, with grain grading well, and little, if any,damage from frost is claimed.

With Southwest receipts becoming light, the primary movement was only moderate at 1,650,000 bu versus 2,219,000 bu last week, and 1,884,000 bu last year. Kansas City, Duluth and Minneapolis so far this week show a net increase of over 4 million bu. When the visible supply is posted Monday it will compare with a decrease last year of 411,000 bu.

New buyers were not numerous; and with some weakness at Minneapolis, we had a natural reaction, December wheat closing 1 1/8¢ per bu lower, while the May future declined 1 1/4¢

Corn was also weaker, bookings from the country were of fair proportions, but the weather is regarded as satisfactory. It seems that only artificial influences are keeping prices at these levels.

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CHICAGO Sept. 9, 1940.

Furious aerial attacks over London continued with serious casualties reported as bombs rained over the city. Heavy loss of life and of property was reported, with many hundreds of buildings damaged and some of them wrecked.

This was the main news over the week-end. The stock market this morning opened considerably lower and grains were likewise influenced when initial trading took place. There was not a great deal of grain news, although various statistics that have recently been unfolded are still with us. With an enormous crop and carryover in Canada, marketing difficulties are already being witnessed. This year's crop, which was larger than the previous one, is being marketed at a very slow rate, and we are convinced that this is entirely due to lack of adequate storage facilities. Country deliveries last week were only 17 million bu, while in 1939 they amounted to 47 1/2 million bu. For the first five weeks of the crop movement, total country marketings in Canada were 58 million bu compared with 108 million bu last year; therefore, we can foresee a situation where tremendous accumulations may take place, particularly as exports are proceeding at a very slow rate.

Anyone who is bullish on wheat futures in this country can scarcely base it upon statistics. This year's yields, according to the last available figures, suggest a crop of 772 million bu. This compares with the ten-year average of 753 million bu. In other words, we have raised larger supplies, despite great reductions in acreage that presumably have taken place, and in addition to that, the winter wheat crop last year started off so badly that some had almost given it up as hopeless in many areas. At the present time, great optimism prevails as winter wheat prospects are extremely favorable. A party driving through southern Kansas told us that he saw at least a dozen farmers planting wheat, and one field was already up that had just been planted a few days before. Soil conditions are excellent and weather is cool and damp, and certainly ideal for fall work. It also looks as though the acreage might be increased in many sections, as some farmers who had signed up with the AAA program earlier are not going through with it. We are told they are going ahead and planting whatever they desire, and the same informant states that some farmers who signed up earlier when it was comparatively dry are abandoning the program and placing a larger acreage under cultivation than last year.

About the only hope for higher prices under these circumstances, and with export business bound to be poor, is the feature relating to the heavy impounding of supplies. As of September 4th, 103 million bu of wheat were tied up. However, we notice a slackening in the program, particularly in those states where the movement has passed its peak. To illustrate what we have in mind, we list below the amount of wheat impounded at various times as the data was made available by the Department of Agriculture:

	August 8th	August 23rd	September 4th.
Kansas	15,984,000 bu	20,358,000 bu	26,602,000 bu.
Oklahoma	12,343,000	16,346,000	18,242,000
Texas	10,523,000	14,735,000	16,546,000

We appreciate that there will be a lot of wheat still frozen from the spring wheat areas, but apparently the ratio will not be maintained between now and the end of December when the program terminates. Putting it another way, nobody could reasonably expect that 2 1/2 million bu will be tied up each day until the end of the year simply because that quantity was frozen daily for the last two weeks.

The visible supply increased 4,123,000 bu; total stocks are in excess of 170 million bu, or about 21 million bu more than was on hand last year. At Chicago there was a shrinkage of 1/2 million bu, with 15 3/4 million bu still locally held. Today's primaries were large; in fact, about double of last year; a week ago there was a holiday.

Without much pressure values declined, the close being about 1 1/4¢ per bu lower for both the December and May wheat. The open interest has reached the lowest level in months, showing great indifference.

Corn ruled slightly easier, as did coarse grains in sympathy with wheat.

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CHICAGO Sept. 10, 1940.

Aerial fighting continues in Europe, but the German raids were apparently of less intensity. This resulted in a slightly bullish sentiment in wheat, many believing that with the open interest down to such small proportions that recent liquidation may have been sufficient for the time being. Later in the day we shall have an estimate of our spring wheat crop, but this will probably not vary much from figures recently given out by the experts. Same is true of Canadian production.

It is, therefore, interesting to try to observe, as best one can under censorship, what is taking place in Europe. The British blockade, which is rigorously imposed, prevents the European continent from getting about 350 million bu of wheat and other grain normally imported from abroad. So any such deficiency during the present crop year will have to be made up, either through privation, or from Europe's own resources, --or possibly from accumulated supplies. That Germany is looking out for herself first and always is obvious from the fact that Holland lost 90% of her butter reserves in one week; Denmark's pigs and poultry were compulsorily slaughtered and the meat dispatched to Germany; a large percentage of Belgian grain and livestock was nationalized, while Norway's entire supply of fish was used for canning in the Reich. There is every likelihood that Europe is facing a winter of intense privation. Strenuous rationing is already in force in Norway, Denmark, Holland, and Belgium, while further rationing is apt to be introduced in unoccupied France. Many authorities believe, however, that famine could be averted if distribution were carefully guarded. England takes the view that Germany is morally responsible for cutting off the peoples, whom they have conquered, from the source of world supplies, and that according to international law, they must recognize and fulfill their obligations. However, with careful economy in Germany, Austria, Czechoslovakia, and Poland, supplies would undoubtedly go much farther than in peace time, and by proper rationing it is possible that suffering will be somewhat minimized. However, it is true that the German bread ration is 50% larger than the Belgian ration. The Germans do not submit to the same conditions as the conquered peoples. For instance, in Poland there are two scales of rationing -- one for Germans, and the other for non-Germans; likewise, in Holland, Germans are exempt from the rationing system, which is quite stringent for the use of oils and fats. Britain feels that any kind of neutral organization or supervision for the handling of food in the distressed areas would set free supplies for the German army, and possibly for German armaments. For this reason, neither the Hoover scheme nor any others yet suggested are likely to be acceptable to Britain.

Broomhall figures that total world's imports of wheat will not exceed 440 million bu, including 280 million bu for Europe. The bulk of the shipments will probably be furnished by Canada, Argentina, and Australia, leaving us more or less out of the picture. There was some business overnight in Manitobas, but clearances on these sales will not be made until February, indicating that Britain's supplies must be adequate for the time being. The Minister of Food stated today that, despite the bombings, food stuffs have not been endangered to any extent, although sugar and flour stores have suffered some damage.

Primary receipts were 2,079,000 bu compared with 2,474,000 bu last week, and 2,607,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 1,346,000 bu. Lack of pressure and a little local buying gave us a firm market today, but trade on the whole was light --probably much the same as yesterday when only 12 million bu were transacted in the pit. There was also very little changing between months. At the last, the market was up about 3/4¢ per bu.

Corn was firm --bookings from the country were light and some map readers foresaw the possibility of a few light frosts. The trade was awaiting the government report which will be issued later.

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CHICAGO Sept. 11, 1940.

In ordinary times we might have expected a very weak market today after the issuance of two bearish government reports late yesterday by the Canadian and U. S. governments. Total Canadian production is estimated to be 561 million bu, or the second largest crop on record. It was exceeded only in 1928 by 5 million bu, and therefore, must be regarded as an enormous crop. Even this would not be so bad were it not for the carryover of 301 million bu, which is a record, and consequently, means that total supplies in that country on August 1st amounted to 862 million bu. There was no change in the winter wheat estimate, nor will there be until December when the government makes public its final figures. However, they raised the spring wheat crop about 24 million bu, and we now have total supplies in the U. S., including a carryover of 284 million bu, of 1,068 million bu. This is also extremely large, especially since there is no chance for much export business to Europe. Taking the Continent as a whole, we figure that after liberal allowance for all domestic requirements, there is a surplus of about 1,100 million bu, or enough wheat to take care of world's import requirements for two years. Nothing of this kind has ever occurred before.

In spite of these sensational figures, prices here actually advanced, and, of course, the obvious reason was the knowledge that both countries would finally end up owning several hundred million bushels of wheat, and possibly withhold it from the usual trade channels unless prices advance sharply. In other words, a trader must guess these days just to what extent artificial stimuli will prevent normal forces from exerting pressure. There are a good many speculators who undoubtedly feel that with the tremendous quantities being impounded, finally wheat prices will have to advance to the level of the loans whereby frozen supplies can come back into circulation again.

Other statistical news is not of great importance at this time. The fact that world's shipments since August 1st to date have been about 11 million bu smaller than a year ago is taken more or less for granted, and the small import requirements for the coming season make very little impression upon the trade, as it is considered likely in many quarters that burdensome supplies in North America will not be felt until later in the season.

In Canada, the visible supply is now only 136 million bu greater than it was a year ago, and very likely many will express surprise as time goes on that the accumulations do not loom larger than in 1939 owing to the big crop. But this is simply a question of storage, and the present movement is small because space is limited and much of the grain is necessarily kept either at country points or actually on farms. Even a poor crop in Australia, owing to the continued drought, will not be much of a help in reducing surpluses on this Continent.

Northwest receipts were quite large, Minneapolis and Duluth reporting 799 cars inspected, compared with only 480 cars last year. However, new pressure was light, and apparently the bulk of the movement is being impounded. Primary receipts were 1,340,000 bu; this was practically the same as last year, and compared with 1,988,000 bu last week. Kansas City and Minneapolis stocks so far this week show a net increase of 1,847,000 bu.

About noon, our time, Winston Churchill spoke from London. The tone of his talk indicated that all preparations were being made in Britain for a likely German invasion. This caused some reaction in stocks, and likewise influenced grains, although the volume of business was extremely small, and at the last December wheat was up 3/8¢ per bu, while the May wheat, which has been comparatively weaker lately, gained 1/4¢.

Corn, oats and rye were also dull, but prices held firm, without particular feature.

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CHICAGO Sept. 12, 1940.

Premier Churchill's talk yesterday had further influence on stock prices today, with lower values being registered. The fear that England would be invaded shortly, and also intensified preparation for an Italian offensive against Egypt were reported; therefore, events in Europe continue very uncertain. The air raids were probably less severe than recently, but yet considerable damage is in evidence both in Germany and in Britain.

When our market opened this morning, there was very feeble buying power. Apparently, the trade felt that there was no immediate issue; Consequently, with a few liquidating sales, fractional declines took place. Statistics show the greatest indifference. Yesterday, for instance, only 10 1/2 million bu were traded in the wheat pit, and total open interest is less than 60 million bu; so immediate changes are difficult to forecast, as they will depend more or less upon the character of small orders.

Based on latest Canadian figures of production and carryover, also allowing liberally for home consumption, there is available 721 million bu of wheat as of this date, compared with 446 million bu a year ago. Actual exports of wheat and flour since August 1st have been 4 million bu smaller than they were in 1939. Looking at the picture from our own point of view, we have 361 million bu available for export, or next year's carryover, after deducting nearly 7 million bu of wheat that were exported since July 1st. This is on the theory that prospective utilization will amount to 700 million bu, although the Department of Agriculture believes requirements will be slightly less.

Under such circumstances it is not very easy to arouse much bullish enthusiasm. Some point out that Australian wheat conditions are so bad that a very poor crop is in prospect, but while this might be a factor in ordinary times, surpluses in other countries are so enormous that 50 million bu more or less hardly cuts any figure. In the Argentine, there has been some improvement recently, cool and dry weather improving the outlook for the wheat crop. It is now reported that the Ministry of Finance is considering a British request for a credit allowance for the purchase of Argentine farm products. The exact amount of such a loan would be determined, of course, by negotiations. This is not unusual, as during the first World War, Argentine granted Great Britain and France large credits for the purchase of cereals, meats and other farm products.

Northwest receipts were fair, Duluth and Minneapolis reporting 803 cars versus 566 cars a year ago. However, the bulk of the grain is being impounded, but on the other hand, milling demand was said to be rather poor.

Primary receipts were 1,532,000 bu compared with 1,493,000 last week, and 1,546,000 last year. Kansas City and Minneapolis stocks so far this week show a net increase of 2,241,000 bu.

There was no particular feature to the market, some discouragement, but liquidation was not heavy, and recoveries took place from the lowest point reached. At the last December wheat showed a decline of 5/8¢ per bu, while the May future was 1/2¢ lower.

Corn was not particularly active, although the September delivery was subjected to short covering, and was, therefore, firm. Bookings from the country were only moderate; it is true that Chicago stocks are quite large, although a substantial quantity of government corn here may not be available to the trade at this time. The final outcome, therefore, is uncertain, with the open interest declining but slowly. There have been practically no deliveries thus far, and it is possible that some of the longs are awaiting tenders, hoping to get their merchandising supplies in that way.

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CHICAGO Sept. 13, 1940.

More German bombs dropped on London and other places, but the new British technique against air raiders has apparently resulted in lesser damage than on previous occasions. The English bombed Essen, which is in the center of the Ruhr industrial area, where one of the large armament plants is located. However, nothing decisive has occurred the past 24 hours. According to the London Economist, no food is to pass the blockade to any of the German-controlled countries. The allied governments, Poland, Norway, Holland and Belgium are agreed with Mr. Churchill that to enable the Germans to divert still more resources to war production would be even more damaging to their unhappy countries' cause than the privations which will be imposed upon them by German rationing or robbery. They further say, "An Empire built and maintained by loot and plunder cannot appeal to humanity with any force."

When our market opened this morning, there was very little to guide us. For several decades we were accustomed to ask whether Liverpool quotations were higher or lower, but, of course, nothing of that kind exists during wartime. In past years, weather in Canada was quite a factor during September, and occasionally, the inability of farmers to get their wheat into the granary would influence prices at Winnipeg, which in turn was reflected here. Still at other times, there was a brisk demand from Europe and the removal of hedges gave us a higher opening. None of these factors are with us at the present time, and therefore, one has to guess whether buying or selling orders will predominate, and there is little way of gauging this since trade is of such small proportions. There is hardly enough domestic milling demand to give the market much impetus, particularly this early in the season when small amounts of free wheat are sufficient to take care of immediate demands.

However, there is one artificial influence with us at all times; namely, the government loan. This has impounded many millions of bushels of wheat, thus removing pressure from the market. It may prevent weakness early in the season when the grain is ordinarily offered for sale, but if the farmer is able to redeem his loan, it simply transfers weakness to a later period. We had a good example last spring of what happened when about 130 million bu of wheat was thrown back into ordinary channels of trade. The speculator, who had carried the burden and had made purchases around the dollar level, was finally swamped with the heavy load; thus, almost the entire carryover was eventually in free hands again. But apparently the speculator has not forgotten his lesson, and he may be more cautious the next time.

The Argentine government is permitting resumption of exports, but with only 13 1/2 million bu surplus remaining, pressure should not be important. A year ago, they had 120 million bu still available for shipment.

Storage space in this country is rapidly filling. Northwest wheat carlot receipts were 981 cars for Duluth and Minneapolis, or more than double those of last year. The situation may be aggravated as time goes on because of the fact that appreciable quantities of Canadian grain are coming to Duluth and other United States terminals for storage.

Primary receipts today were quite large at 1,800,000 bu versus 1,650,000 bu last week, and 1,510,000 bu last year. It appears as though we shall have a pretty fair-sized increase in the visible supply next Monday. Kansas City, Duluth and Minneapolis stocks so far this week show a net increase of 3,428,000 bu.

Without any feature whatsoever, advances and declines were about evenly balanced. At times when September corn was strong, there was a little better sentiment, but at the last December wheat closed unchanged.

The deferred corn deliveries derived firmness at times because of the strength in the nearby month; bookings from the country were quite large, but sales out of Chicago kept pace. We note that the open interest in September corn is still very large amounting to more than 5 million bu, with only about one week before trading stops.

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CHICAGO Sept. 17, 1940.

There was nothing particularly new in the grain situation overnight. Even war news is less of a factor at present than heretofore, and while Germany continues to bomb London, Britain seems to be striking directly at the sources of German's military strength, and thus has saved herself from invasion up to the moment. British planes during the night machine-gunned concentrated German shipping at Le Havre, Boulogne, Calais, Dunkirk and Ostend in almost continuous attacks. Damage to equipment at these vital channel ports has been seriously increased, but apparently the main targets were the hundreds of small ships that had been gathered for a possible invasion against England; and in the meantime, many of these tramp steamers have been sunk, including one oil tanker and two ships laden with munitions. Indeed, the Royal Air Force has done remarkable work to the accompaniment of the superb resistance which British air men at home are offering to the thousands of attacks of their numerically superior adversary.

With the general trend of news more optimistic from British point of view, stock market here has been slightly higher, and very likely influenced commodity trading also, except for the fact that our volume is extremely light. Yesterday, less than 7 1/2 million bu were traded in the wheat pit, while on Saturday, total transactions were less than 3 1/2 million bu. In former times, one commission house would by itself transact that much business. However, there are no immediate issues. With expanded world production, we even had difficulties in selling surplus goods before the present war started. Now, with many of the foreign markets cut off, the accumulations are bound to be tremendous.

Curtailment of acreage has not been sufficient to solve the problem, and we have just raised a total crop in this country of 784 million bu, which is larger than the ten-year average, indicating that governments may try to control acreage, but it is impossible to control yields. As one economist points out, it requires less than a quarter as much labor to produce an acre of wheat than it did 20 years ago. Production costs are being reduced through the greater use of such mechanized equipment as combines and corn-pickers, and also by the development of such improved products as hybrid corn, which increases yield by an average of 20%.

Northwest wheat receipts were smaller, Minneapolis and Duluth reporting 805 cars compared with 899 cars last year. However, the milling demand remains disappointing, and apparently, with so little change in markets, one cannot look for an expansion in flour sales; therefore, with a continuation of hand-to-mouth buying, current receipts are ample for immediate consumptive needs.

Primary receipts were lighter at 1,572,000 bu versus 2,079,000 bu last week, and 2,541,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 1,395,000 bu. We shall finally have a tremendous visible regardless of the fact that a good portion of the supplies will be under the government loan. Therefore, there is always a definite ceiling above the market should the price advance sharply, as farmers would undoubtedly pay off their obligations whenever they could resell grain at a profit.

Meanwhile, it is extremely dull, nobody ventures far from shore, and about all that happened today was a slight narrowing of the carrying charge spreads. At the last December wheat was up 3/8¢ per bu, and the May delivery advanced 1/4¢.

The deferred months of corn were under pressure. Weather is good, and prospects are also highly satisfactory. Many believe that regardless of what happens to the September future, when new supplies are available there will be pressure, even granting that many farmers will tie up their supplies. Thus there has been a fairly bearish sentiment created.

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CHICAGO Sept. 18, 1940.

Heavy-scale fighting continued over London, While the British claim that they have downed three times as many German flyers as they themselves lost since the aerial blitzkrieg began on August 8th, it is quite apparent that the loss of property in a city such as London, where building is concentrated, must be tremendous. It was feared that casualties during the night proved the heaviest in recent attacks. Yet, British morale remains high and the people have a vast staying power, which can only be understood by those who have lived in England. The German air force has failed to destroy more than one day's supply of food in any commodity, despite repeated attacks which have been directed at British food reserves. This information comes from the Minister of Food. He claims that damage to commodities is not more than could be put right if the whole population went without one meal.

When our market opened this morning, there was slight hesitancy because minimum prices at Winnipeg had been reduced. Before placing May wheat on the board, it was necessary to make certain adjustments in order to bring about carrying charges, and thus afford some restitution to those who are carrying grain and have to bear the expense of storage, interest and insurance. However, our market responded more to a better flour business that had been put through overnight, and with the removal of hedges, there were fair recoveries here, particularly since new pressure was extremely light.

According to Broomhall, the Argentine acreage was cut about 782,000 acres from last year's final estimate, but this is not of great importance, and while it is obviously too early to estimate their crop accurately, some believe they will only raise about 180 million bu, or about the same as the small crop of three years ago. There have been other periods in the last ten years when shorter crops were harvested, and we have no great anxiety that supplies will be inadequate, as there are such tremendous surpluses elsewhere. We say this in spite of a poor crop prospect also in Australia, where the drought is severe, despite a few showers that have recently served to check deterioration. General rains throughout the country are an immediate necessity. However, even with small returns at harvest, there should be no great shortage, as reserves from last year are plentiful and the visible supply is still 85 million bu, while a year ago, it was down to 11 million bu.

As yet, there is no large demand from Europe, and since August 1st, world shipments to European countries have been 20 million bu smaller than in 1939, while ex-European nations have taken 3 million bu less. Therefore, shorter crops in the Southern Hemisphere will not be as important at the present time, even with continuation of war, as it would be ordinarily. European wheat harvest is expected to be 14% below last year, but great curtailment in consumption lessens the need for imports, and with rationing taking place everywhere, it is hoped that foodstuffs will go around.

In our country, receipts are not burdensome. Carlots in the Southwest have dwindled down to very small proportions, and even in the Northwest, the movement is falling off. We notice that Minneapolis and Duluth had 614 cars inspected today, compared with 799 cars a week ago, but only 381 cars last year. Only a small percentage of the arrivals comes on the free market, but yet, it seems about sufficient for present needs.

Primary receipts today were 1,361,000 bu versus 1,340,000 bu last week, and 1,159,000 last year. Kansas City and Minneapolis stocks so far this week show a net increase of 1,596,000 bu.

Trade was light, altho better than yesterday when only 6 1/2 million bu of wheat were traded in the pit. However, improved milling demand, and a better stock market created better sentiment. At the last, December wheat advanced 5/8¢ per bu; the May was stronger, with a leading elevator interest supposedly buying it against the sale of the December.

The deferred corn futures were firm despite liquidation of the nearby; apparently September contracts are being settled prior to Saturday, which is the last trading session.

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CHICAGO Sept. 19, 1940.

Two and one-half months of our crop-year have passed, and this is the period when ordinarily we do the bulk of our export business. During the first four months, we often clear 70% of the wheat that is sold from this country. Since July 1st, actual clearances of wheat and flour amount to about 7 million bu. In Canada, one and one-half months have progressed since their crop-season started, and they have placed about 15 1/2 million bu of wheat afloat. Taking North America as a whole, it means that there are still 1,078 million bu of surplus wheat, after making due allowance for home consumption in both countries.

We mention these statistics, despite the fact that they have little bearing on the markets at the present time. A new economic status has been set up because of government loans, and while the primary purpose is evidently to tide farmers over and thus enable them to hold their grain for longer periods than in normal times it must be borne in mind that there are secondary consequences to this scheme which could cause great chaos. Last year, for instance, there was enough wheat impounded to give us an artificial situation, and while it is true that prices finally rose above loan values, enabling the farmer to pay off his federal indebtedness, it also meant that speculators had to assume the burden, because there was insufficient consumptive demand to take the grain as fast as the farmers wanted to sell it. Consequently, there was a violent reaction to the market, and from $1.10, prices collapsed, demonstrating what can happen when ordinary laws of supply and demand are interfered with. We can foresee a picture during the present crop-season when possibly artificial stimuli might carry the market above the loan price, but then, if the farmer would sell his impounded wheat, we would have anything but stable markets, and with the full pressure of a large crop eventually exerting itself, there would be an extremely weak situation built up, and finally prices would be lower than ever. Thus, undue rises and falls are created, although it is not the intention of those in control to bring about such disturbances.

In Canada, the government seems to be looking more toward orderly marketing. They are also trying to keep the grain trade alive; therefore, they have furnished elevator houses with a carrying charge of about 6¢ from October to May, while here a temporary period of scarcity makes the nearby deliveries strong, and there is no remuneration for elevators which are really trying to serve the government and the country with a useful purpose. If finally the regular dealers are driven out of existence, we may find that the grain trade, which has successfully functioned for ninety years, will abandon its effort. Then the government will have to assume the entire burden of marketing crops, or else finally the business will fall into new and inexperienced hands.

Primary receipts were 1,619,000 bu versus 1,532,000 bu last week, and only 1,130,000 bu last year. Kansas City and Minneapolis stocks so far this week increased 2,078,000 bu. Very little attention was centered around routine news. Argentine estimated shipments were in excess of 2 1/4 million bu, which is certainly large considering that there is so little surplus remaining in that country.

About mid-session it also had been reported that 750,000 bu of Pacific coast wheat had been sold to Russia. It is almost an annual occurrence that wheat from somewhere is shipped to Vladivostok, as chaotic conditions make it almost impossible to use trans-Siberian railroads on an economical basis. Canada apparently will not sell to Russia because of the fact that the grain might be diverted to the Germans.

There was very little feature here, except some tightness of the September wheat. Our market drifted aimlessly, with volume probably of the smallest proportion. December wheat at the close showed a decline of 1/4¢ per bu, while the May delivery was 1/2¢ per bu lower.

Corn was also indifferent; there was some liquidation of September contracts, but otherwise nobody ventured very far in either direction.

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CHICAGO Sept. 20, 1940.

In almost every instance when artificial means were attempted to prevent normal laws of supply and demand from functioning, there were drastic consequences. It is not necessary to review here the Cuban sugar situation, nor the Brazilian coffee valorization. We all know the sad consequences of the English attempt to stabilize rubber prices, and the more recent attempts of the American Farm Board to prevent wheat declines. The damage was generally done when surplus stocks were built up, and when they became so unwieldy that consumption could not keep pace with accumulations. Different methods were invariably used when artificial planning was tried, but the result was generally the same.

We find that when the Farm Board started its operations in 1928, our carryover reserves were moderate, but they gradually increased until a breaking point was reached, as the following figures will illustrate:

Year	End of Season Carryover	Year	End of Season Carryover
1928	115 million bu	1931	329 million bu.
1929	232 " "	1932	391 " "
1930	294 " "	1933	382 " "

Since 1932, there have been several years of drought, and thus, Nature corrected a situation with which human beings had vainly struggled.

The writer has discussed present agricultural policies with many economists and professors. Few claim to understand the system where in one breath the ever-normal granary is mentioned, evidently designed to build up reserves in case of shortage, but at the very time that it is being practiced, billions of dollars are spent to decrease acreages, thus attempting to have smaller production, while elsewhere millions are devoted toward subsidy sales, apparently with the idea of reducing surpluses. Regardless of method, it seems strange that through these artificial means the same results are finally reached, and so we shall probably end up with supplies as large as those accumulated during the Farm Board era, despite enormous monies that have been spent in an effort to prevent a recurrence.

We give below the carryover stocks since 1937, showing what happens when artificial methods are pursued:

Year	End of Season Carryover	Year	End of Season Carryover.
1937	83 million bu	1940	284 million bu.
1938	154 " "	1941	330 to 350 (estimated)
1939	255 " "		

The great difficulty always arises in trying to outguess Nature. For instance, last December the Department of Agriculture estimated winter wheat production at less than 400 million bu, whereas the outturn is now reckoned at 556 million bu; therefore, any economic planning in advance would have been next to impossible. It is also difficult to try to mix economic and social laws. With less than three months of the crop season passed, the impounding of wheat is causing hardship to country mills, who are unable to get free supplies as the federal loan program has created an artificial scarcity. Some agitation amongst millers is reported, and two of the leading officials in charge of the government loan program have advised the federation that they will attend a meeting in an effort to unwind some of the difficulties encountered.

Primary receipts today were lighter at only 1,223,000 bu vs. 1,800,000 last week, and 1,943,000 last year. Kansas City, Duluth and Minneapolis stocks so far this week show a net increase of 2,871,000 bu. This suggests a fairly good gain in the visible supply next Monday, which will compare with a decrease last year of 1,256,000 bu.

The market is still in a rut, and about the only feature today was strength in the September delivery, which firmed the deferred futures also. Trade was very light.

In corn, nearby contracts were liquidated, although sentiment locally is bullish on the theory that we shall have an artificial situation during the coming season, with the loan price probably higher than last year.

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CHICAGO Sept. 23, 1940.

The feeling is growing that there will be no major attempt made to invade England this fall, although undoubtedly the bombing of British objectives will continue. Over the week-end, London was not subjected to the same intensified attacks as took place during the past several weeks; in fact, reports from there indicate that German planes were turned back in more or less disorder. In the meantime the British seem to have carried on successful raids against German invasion bases on the French coast and elsewhere. Martial law has been declared in all of Egypt, and at least during the winter months, attention will no doubt be focused on that section.

The latest figures published on the amount of wheat under loan were given at 142 million bu, as of September 17th. Using the last government estimate of 783 million bu for the crop of the United States, this represents a total of 18% already impounded. For the corresponding period last year (September 22nd) there was 110 million bu in the loan, or 14% of the 755 million bu raised. The trade is naturally interested and concerned with the amount that will finally be tied up, and while conditions this year are not analogous to last year, the total increased 8% from this period, reaching a peak of 22%, or 167 million bu given out as of January 19, 1940.

It is still a matter for conjecture as to the final outcome, but undoubtedly the most important determining factor will be the price of wheat. In some sections of the country, it is already over the loan value, and in others considerably under, whereas last year, we believe by this time the cash market in general had advanced above loan prices, and long before the final date for securing loans, there was a good profit in redeeming same after figuring all accrued charges. During the eleven days prior to the issuance of the last report, wheat had come into the loan at the rate of 3,750,000 bu a day versus 2,395,000 bu a day last year. We notice at the present time that the four Southwestern States, which of course were the first harvested and have had the longest opportunity to avail themselves of the loan, have already tied up 40% of their wheat, against 22% last year, and a final figure of 24%. The four Northwestern States this year have taken loans on 10% compared with 12% last year, and a final of 32%. In the Pacific Northwest, Washington and Oregon loans totaled 14% vs. 18% last year, and a final of 30%. Definite conclusions cannot as yet be reached. Much will depend on the price range and crop conditions between now and December 31st, at which time all loans must be made.

Over the week-end, beneficial rains were received in the Southwest, which should be of great help forfall work. In fact, that U. S. Department of Agriculture reported, under date of September 21st that one-fourth to one-half of the winter wheat has been seeded in the western two-thirds of Kansas, and that conditions were fairly favorable in most of Oklahoma, although Texas needed moisture.

In Europe, prospects of short supplies are becoming more pronounced, and Germany is said to have demanded approximately 33 million bu of wheat from France, which will necessitate severe rationing in the latter country. However, with the continuation of the British blockade, imports to many sections will be impossible. A serious shortage is reported in Spain, and if that country maintains its neutrality, further imports are probable.

Primary receipts today totaled 1,608,000 bu compared with 2,462,000 bu a week ago, and 1,008,000 bu last year. The wheat visible increased 1,008,000 bu against a decrease last year of 1,256,000 bu, and now totals 172,744,000 bu, or 24,480,000 bu more than a year ago. Chicago stocks decreased 630,000 bu, and totals 14,860,000 bu.

The grain market responded to a better feeling in stocks, which market is being stimulated, as mentioned in the forepart of this letter, by the fact that an invasion of England is now regarded as improbable, and that the British are placing large orders in this country for delivery in the spring.

At the close December wheat was 1 7/8¢ per bu higher, and the May was up 2¢ per bu.

Corn was helped by the strength in wheat, and also the fact that cash premiums are ruling very strong.

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CHICAGO September 24, 1940

Several smashing attacks were made during the night on Britain, and also, against the German capital by the air forces. Germany claims to be enraged at the longest British air raid of the war on Berlin, and now promises reprisals. Fires burning in Berlin are bringing the war right to the doorsteps of the German people, while several other large fires apparently were started in warehouses or factories. Therefore, it is obvious that not only has the British resistance remained stiff, but they have entered into new offensives, calculated to break German morale.

Our market, which had been very strong yesterday, lacked encouragement from new buyers, and there is recognition that the advance in prices is bringing values in many localities pretty close to the loan levels. Therefore, there may be smaller quantities impounded from this time onward, and should prices advance materially, it would even bring out frozen supplies; thus there is definitely a ceiling over our market.

During a political campaign period such as this, when both sides are critical over opponents' agricultural problems and promises, much is heard about the enormous spendings for the last seven years, and also, the fact that while prices could not be controlled, attempts were made at curtailment. We turned pork into fertilizer; we dumped, we plowed under, and we destroyed livestock, and paid farmers for not producing. As one authority in the Northwest points out, between 1933 and 1937 we disbursed nearly $2 billion in taking 36 million acres out of production, plowed under 4,500,000 bales of cotton, and slaughtered 10 million head of livestock. The plan, according to Secretary Wallace, apparently was to have "a balanced abundance for consumers, and a balanced income for the farmer". Whether we have solved the agricultural problem, or brought about permanent relief, is to be doubted. Whether we have even accomplished what the Secretary sought, is a question. This country has a tremendous surplus of wheat, for instance, but yet distortions have arisen, and it is impossible for some of the interior mills to get their necessary supplies, which are tied up under the government loan. Consequently, they will either have to shut down, or import supplies from other sections, thus causing hardships upon certain consumers. As for a "balanced income for the farmer", many distortions have taken place. Prices for loan wheat in the Northwest had been much higher in proportion than they were either in Kansas City or Chicago. Often we depend upon the Northwest for some of our wheat, but an 87¢ loan price at Minneapolis against 81¢ in Chicago makes this almost impossible. Also, in administering the corn program, the price on the farm was 57¢ regardless of proximity to market, and therefore, the biggest accumulations took place in Iowa, because of freight differentials.

Primary recipts were quite large at 1,572,000 bu, or precisely the same amount as last week; it compares with 1,368,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 1,273,000 bu.

Trade today was rather dull. With further rains in the Southwest, it seemed rather difficult to inspire buyers. Actually, the July delivery weakened considerably as compared to other months. Furthermore, the writer talked with consumers in various parts of the country, and was impressed with the fact that on the advance cash offerings were more liberal. While new pressure was not particularly heavy, there were minor declines, and at the last December wheat was 1/8¢ per bu lower, while the May lost 1/4¢ per bu.

Corn was rather firm. It is possibly too early to anticipate new hedges, but yet, the price is pretty high, and there are bound to be offerings from those who are not compliance farmers. Therefore, we feel that regardless of how much may finally be impounded, there may be periods of easiness at the start.

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CHICAGO Sept. 25, 1940.

There was nothing particularly new in grain circles overnight. FromEurope came advices of very heavy bombings, and London probably sustained heavier damage than at any time since the severe air raids started three weeks ago. However, the British made counterattacks, and German losses were undoubtedly severe, although censorship prevents us from getting very accurate information. In any event, Berlin acknowledged some losses.

When our market opened this morning, there was again a distinct lack of buying power, and the open interest in wheat of only 58 1/2 million bu shows that trade is at low ebb, and very few people know which way to turn with so many artificial influences at work. The fact that there are not more hedges in the market is also easy to understand. Elevator men, who for the past twenty-five years have been in the habit of buying grain right after harvest and hedging it, have become so discouraged during the past few years because of the loan policies, which have eradicated carrying charges, that they were mostly content this season with taking government storage, even though it was less remunerative than carrying grain for mills, or for the public. Thus, the entire character of the business throughout the country has changed complexion.

It is interesting to note that the gross farm income during the past seven years, according to the Department of Commerce, has totaled somewhat over $61 billion. This, of course, includes the billions of dollars in benefits to farmers, but in spite of it the results are not too gratifying when compared with the seven years prior to 1933, when the total farm income was $12 billions greater, and when no federal monies were paid out. When it is also taken into consideration that our population has increased during that period, and that there are more mouths to feed, therefore, more consumers for the farmer, it shows that our agricultural problem has not been solved. More violent fluctuations are bound to occur from time to time as a result of the government loan policies. Last year, for instance, wheat went to $1.00 in order to bring out frozen supplies, helped, of course, by the war psychology, and also by the poor winter wheat prospect. However, when the weight of supplies was fully felt, sharp breaks occurred, and many economists believe that any system so designed that can make the price level unstable will not in the final analysis be a great success.

News from Southern Hemisphere does not change much from day to day. Argentine prices have been declining because of the belief that the next crop, while not particularly large, might be difficult to merchandise if war continues. In Australia, rains have only afforded temporary relief, and prospects continue poor unless unusually favorable conditions could be realized from this time onward. There are many European countries short of foodstuffs, but with the blockade continuing there is little chance for any change in possible imports.

Primaries were smaller today at 1,080,000 bu versus 1,361,000 bu last week, and 1,120,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 1,665,000 bu.

After slight recessions wheat rallied somewhat, influenced by the strength in corn, and new pressure was exceedingly light. However, volume of trade was probably not much better than yesterday--about 10 million bu were transacted in the pit. A leading elevator concern was presumably a seller of December against the purchase of May. July wheat, however, representing the new crop, was relatively weak because of fine weather conditions Southwest.

The possibility of light to heavy frosts in the corn belt tonight brought in some buying, but it is presumed, however, that about 70 per cent of the crop is safe. Therefore, the situation is not serious.

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CHICAGO Sept. 26, 1940.

Reports from Europe indicated that British planes had made one of their heaviest and most effective attacks upon Germany and the invaded countries. Berlin reported a five-hour raid, which was the longest of the war. On the other hand, Germany bombed London heavily, causing widespread damage, but so far, there is nothing decisive in these encounters, despite the destruction of life and property, Violent resistance in Dakar by French forces caused the British to retire, and this is not particularly helpful to English morale.

When our market opened, there were slight recessions, possibly in sympathy with lower security prices in New York.

There has been good moisture in Kansas recently, and seeding of winter wheat is nearing completion, with general prospects very favorable, particularly so in contrast to last year, when the plant had gotten off to a very bad start. From the various advices we have received, it appears as though acreage in that State might be increased by about 15% over last year. In some localities, it might be a little bit better. This, however, is not surprising as soil conditions are so good that there are some farmers who may not take advantage of the government loan but may prefer to plant more, while still others are putting in the full permissible acreage, where a year ago, this was impossible due to dry soil conditions. It seems highly unlikely that for a permanent program we shall have restricted acreage in this country. Besides many millions of acres of land now uncultivated, which could be easily put under wheat without any irrigation or drainage, the area which could be gained for agricultural purposes when irrigated or drained is estimated for the total of the U. S. at about 150 million acres. This is fully confirmed by an important research committee, which stated that the United States still had about 300 million acres of land devoted mainly to pasture which could be put into crops by plowing and planting, and several million acres more which could be used for crops after clearing the forests, or after drainage or irrigation. While it is true that for the past twenty years, there has been no important increase in crop acreage, despite larger population, yet agricultural production through advancing efficiency and some increase in land utilization has brought about 50% increase in production since the beginning of the century.

Possibly part of the mid-session advance today was due to the fact that certain CCC officials meeting in Omaha found it impossible to give any relief to local millers who are suffering from inability to get current supplies, owing to the government loan policy. Some believe, however, that while the government does not have title to the grain until the farmer defaults, another alternative is open: namely, calling some demand loans in order to ease the supply situation, thus enabling mills to cover requirements; Action later may be necessary in the Pacific Northwest, although there are no indications of any steps being taken at present since the government feels that this will all be cared for if prices advance.

For the first time in months, there seemed to be a little more activity in Winnipeg, and futures rose above the pegged limits, apparently hedges being covered against mill and export sales. This was responsible for a little more bullish enthusiasm here, although volume of trade continued light.

Primary receipts were 1,127,000 bu compared with 1,619,000 bu last week, and 953,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 1,737,000 bu.

The deferred wheat futures today lost ground on December, thus we apparently have a situation of inverse carrying charges again. The future, of course, depends upon total quantities finally frozen under the loan, and the ability of elevators to make deliveries in December. At the last the nearby future was 1/8¢ per bu lower, and the May showed a decline of 3/8¢.

Corn was rather weak. There had been numerous frosts in various parts of the belt. These, however, had been expected, and such a large percentage of the crop is already safe that damage may result more to quality than to quantity, thus off-grades might mean more corn for commercial purposes and less going into the hands of the government.

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CHICAGO Sept. 27, 1940.

Early today it was announced that Japan had signed a ten-year military and economic pact with the Axis powers. It pledged the parties to stand together against any outside opposition to their various programs in Europe and Asia. While not coming entirely unexpected, it did have a bearish influence upon New York securities, and in turn was reflected in slightly lower wheat prices when our market opened. Other foreign news was of about the same tenor. Heavy air raids and devastating damage were reported by both sides, but apparently, British defenses broke up four big German aerial attacks during a daylight raid, the English claiming the loss of 50 or more Nazi planes.

There was not a great deal of feature to our market, except some local buying and spreading. December wheat was bought and May sold on the theory that there was enough wheat frozen under the loan to create a tight situation next December. In this connection, it should be remembered that the recent advance in prices to practically the level of the loans will undoubtedly cause much less wheat to be impounded each day, as the farmer can now obtain practically as much money by merchandizing his wheat, without going through all the red tape of making a government loan. It is true, of course, that further advances may be necessary to bring out frozen supplies. In any event, there is a ceiling over our market, and many, who were talking very exaggerated figures for total quantities that might be tied up, are now a little more conservative in their ideas.

The fact that there was trading again at Winnipeg at prices slightly above the peg, was cause for comment. As we see the picture, the speculative open interest in their December and May futures must be extremely light; both of those delivery months were at the minima for so long that not many sales could have been made. Consequently, the buying yesterday and today necessitated new shorts going into the market. No short, outside of the hedger, would be very anxious, because his profit would definitely be limited, provided authorities at Ottawa maintained the present policy. However, getting the Canadian market into action has stimulated a little more local interest in our market, although volume of trade is still light.

Statistically, there is no change from recent sessions. Argentine shipments this week were smaller, at 1,400,000 bu, but since that country has an exportable surplus of less than 10 million bu, we can hardly expect that clearances will amount to much until the new crop is harvested. Canada, with her immense supplies, will continue to do the bulk of the business until Southern Hemisphere competition increases. England, of course, is the only sizable customer left, but much of the recent business was not overly helpful as Canadian sales were mostly for deferred shipment. There is no competition from the United States, where wheat subsidies are not taking place. Furthermore, Australia is unfavorably situated because of the long haul. In spite of all this, and the temporary advantages accruing to Canada, we believe that at the end of the season she will have the largest carryover ever recorded.

Primaries were lighter, at 962,000 bu versus 1,223,000 bu last week, and 1,081,000 bu last year. Supplies at Kansas City, Duluth, and Minneapolis so far this week show a net increase of nearly 2 million bu. We should have another gain in the visible supply on Monday, which will compare with a decrease last year of 2 1/2 million bu.

Trade did not get very far from base; there is scarcely any spreading between here and outside markets, and we miss activity in Winnipeg greatly, as formerly arbitraging between that market and ours brought lots of additional business here. At the last our December wheat was 1/8¢ per bu higher, and May wheat closed 1/8¢ per bu lower.

Corn was weak at times in sympathy with the leading cereal, but there were some rallies also. More frosts were reported over the belt, but apparently temperatures were not severe enough, nor did the thermometer readings remain low long enough to do much damage. There will, however, be some losses to quality.

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CHICAGO Sept. 30, 1940.

Bombing over London continued with considerable destruction to that city, and at the same time, the British, still fearful of a possible invasion, attacked ports on the French and Belgium coasts hammering at German gun emplacements opposite Dover. There were also numerous German fires that were visible 60 miles away --an oil refinery at Magdeburg was reported burning. Also, fire had been set to fuel supplies as well as to large coal and gas works, with some damage being done at the factories.

In recent sessions our market has paid less attention to European and Asiatic developments --in fact, on Saturday, short covering was inspired by the belief that it might take a higher level of prices to bring out loan wheat. At the present time there are 157 million bu impounded under the loan, and it is quite possible that this figure will grow more slowly from now on, owing to the fact that current prices in many localities are higher than the loan. It is also logical to assume that a good many farmers from now on will merchandise their grain rather than seal it. Should this be the case, it might make a more two-sided market, and in any event, suggests that caution is necessary. We have not yet reached the peak of accumulations and today again the visible supply increased 829,000 bu. There are, of course, some reductions taking place at certain terminal markets, for which there are two reasons -- first, country mills are after wheat which they are unable to get locally, and this involves backhaul, although the quantities involved are small. Second, there is more corn moving to terminals, and today, for instance, 325 cars were received at Kansas City, compared with only 25 cars a year ago. This represents government corn largely, for which storage must be found. Most elevators find it more profitable to carry storage grain in the absence of a carrying charge, and therefore, have moved wheat out or sold it in order that they might make space.

There was some nice scattered moisture over the Southwest, with indications for more to come. Seeding is making good progress, except in isolated localities, where the ground is dry. On the whole, conditions are much more favorable than they were a year ago, and it is quite likely that acreage will be larger for this reason than in 1939.

World shipments this week were extremely small, less than 3 1/2 million bu having cleared. The figure might have been somewhat higher if Australia were reporting, but due to censorship, she is not. However, the Department of Agriculture is not too sanguine as to total shipments for the year, believing that European countries will not take more than about 250 to possibly 275 million bu, while ex-European nations may require 150 million bu. This is all on the assumption that the blockade will continue, in which case the world's carryover in 1941 will be tremendous, with large quantities held by exporting countries. The total visible is 173 1/2 million bu, or nearly 28 million bu more than a year ago. At Chicago there was a decrease of 53,000 bu last week, but yet there is close to 15 million bu of wheat in this city, which is a sizable amount. Today's primaries were 977,000 bu versus 1,608,000 bu last week, and 996,000 bu last year. It seems rather surprising that country offerings are not larger, but farmers sometimes sell more rapidly after an advance has been stemmed and when prices decline. This situation will, of course, bear close watching.

December wheat was the strongest today, going to a premium of 3/4¢ per bu over May. At the last May was 3/8¢ per bu higher than on Saturday.

Corn was firm, although trade was light. The visible increased nearly 5 million bu. It is recognized, however, that a good part of this represents government corn that is coming to terminals. It will probably be a few weeks yet before new supplies are available in volume.

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CHICAGO Oct. 1, 1940.

There was very little news overnight. London reported comparative quiet, although German planes seemed to be attacking in greater numbers, but concentrated more upon the suburbs than the central districts. Likewise, fewer fires were reported, and damage on the whole was relatively unimportant. Berlin, on the other hand, underwent one of the longest air raids of the war, Germans having been sent to shelters for over five hours during the night. According to a Berlin dispatch, German diplomacy is lending a helping hand in an effort to bring Russia and Japan together in a non-aggression pact.

When the stock market opened this morning, it construed the European news as a little more heartening. With higher securities, our grain market was also better at first, and with new hedging pressure extremely light, it seemed comparatively easy to boost values with small buying orders apparently coming into the pit. There has not yet been any important increase in outside speculation, and we believe that a good deal of the participation lately was by locals. Actually, the open interest decreased again, and is down to 58 million bu, which is the smallest in a long time. However, we have pointed out so frequently that with the many uncertainties ahead, fewer people are willing to make forward commitments, This also refers to spreads. Ordinarily, there would be a good many traders willing to sell December wheat and buy May, figuring that a carrying charge would finally develop. However, there are uncertainties in this connection because of the large quantities impounded; also, a good many of the elevators are carrying more grain on storage and less for themselves. Therefore, it remains to be seen what the tenders will be when it comes time for December deliveries.

There is still a larger open interest in December than in May. This is quite natural for the season of the year. Some hedgers have recently put their commitments into the distant months simply as a matter of precaution, and undoubtedly this has been a strengthening influence on December, putting the May wheat at a discount, where a few weeks ago, the reverse was true.

It was claimed this morning that Russia was inquiring for Canadian wheat and might be interested in the purchase of 5 million bu. The Canadian government has not yet granted a permit for such shipments, and previously, they were reluctant to do much business with the Soviet on the theory that the final destination of the grain might be Germany. However, if assured that the wheat would be for actual Russian use, it would, indeed, be tempting, particularly as supplies in Canada are so tremendous. Nevertheless, prices at Winnipeg were a shade lower, despite firmness here, and it is difficult to imagine that they can have a very high level of prices any time during the season, when just a few weeks ago, one had heard of embargoes at terminal markets; also, quotas relating to the quantities which farmers could market, and with the knowledge that the carryover at the end of the season will probably be even more burdensome than the record reserve stock last August. The Canadian visible supply is 390 million bu compared with 357 million bu the previous week. In other words, there was an increase of about 33 million bu. Last year, the visible was considered tremendous when it was 286 million bu. Therefore, it is foolish to claim that there has been any improvement from a statistical point of view.

Primary movement today was 1,116,000 bu compared with 1,572,000 bu last week, and 1,301,000 last year. Kansas City and Minneapolis stocks so far this week show a net increase of 523,000 bu.

Today's trade was quiet, and best prices were not maintained, due mainly to lack of support. The milling demand remains rather dull, and should prices hang around this level for a time, or even decline, some farmers might show a little more tendency to redeem their wheat. At the last December wheat was 3/8¢ per bu lower, and the May future was unchanged.

Corn was firm, but little interest was displayed in this cereal. There were a few cars of new corn here, which graded sample, but it will probably take a little time yet before there is a real movement.

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CHICAGO Oct. 2, 1940.

While news from Germany is all censored, particularly so dispatches dealing with destruction of property, there is reason to believe that heavy damage was accomplished by the British air bombers, which attacked a munitions factory in Berlin, also electric power stations and oil plants. In addition to this, many of the coastal ports of France and Holland were subjected to heavy bombing attacks, while in return several daylight raids were made upon London, although only twenty German planes penetrated the London area this morning. They dropped bombs, however, on two southeastern districts.

Neither stock nor commodity markets were seriously affected by European war news. Trading in all centers was pretty dull. In wheat, we believe that much of the recent advance has been brought about by the heavy impoundings, also the insurance purchases, and between now and November, there may be some purchases for relief, but after that artificial stimuli may have spent most of their force and then we shall have to interpret events more in the light of actual conditions.

The 1940 European wheat crop, outside of the present boundaries of U. S. S. R., amounts to about 1,330 million bu. This represents a reduction of, roughly, 285 million bu, or 19% from last year. However, the 1939 crop was particularly good. Nevertheless, it is the general impression that yields on total output are from 10 to 15% below average, an exception being made of the U.K. In spite of all this, most Continental countries, being unable to import, must either find substitutes or consume less. To date, we find that world shipments are 27 million bu less than the previous season to European countries, while ex-European countries have taken 4 million bu less. Therefore, one may conclude that if war continues, the world stocks of wheat on August 1, 1941, may be about as large as last year's level on the same date, which was the highest ever reached. We occasionally lose sight of these factors, particularly when prices are artificially maintained both in the United States and in Canada. However, artificially withholding supplies from the world market often brings about secondary consequences.

We call attention to the fact that only a few weeks ago, the Argentine government found it necessary to remove the peg. On August 14th, wheat at Buenos Aires for October delivery was 72 1/8¢. Today, we find the same future selling at 48 1/4¢; thus, there has been a decline of about 24¢ a bu. The price of 48¢ for wheat is especially significant, as carryover stocks are next to nothing, with the present exportable surplus estimated at about 9 million bu. Furthermore, the next crop will probably be below average; therefore, it definitely shows that the one market in the world which is still on a strictly supply-and-demand basis is reflecting the world's prices at this moment, despite war, and it further suggests that North America may have a great struggle ahead in an effort to finally reduce tremendous surpluses. In Australia, the commonwealth government estimates acreage at 731,000 acres less than last year. Broomhall figures that a yield of only 11 bu an acre would make a crop of 138 million bu, but we do not regard this as particularly bullish in view of the large carryover reserves.

Primary receipts today were light at 616,000 bu versus 1,080,000 bu last week, and 742,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 318,000 bu.

There was really very little feature to the market. We find that not much wheat has yet been redeemed either in the Southwest or the Northwest, even though current prices are above the loan, but as an offset the milling demand is also very slow. Therefore, there was little here to guide us. A little profit-taking, however, sent values lower, December wheat closing 1/2¢ per bu down, while the May future declined 5/8¢ per bu.

Corn was steady, and private reports did not have any surprises. It is generally believed that it will be a few weeks yet before the new crop movement gets under way.

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CHICAGO Oct. 3, 1940.

It has been pretty definitely established that the loan program has discouraged speculation in commodities. Formerly, when crops were moved and hedges put into the market, speculators could be found to absorb the movement, and they performed a very important economic function in carrying the load until demand caught up. There also used to be a good export business during the first three or four months of the season which helped to cushion price declines, but the picture has also changed in that regard, and we find that despite subsidies, total shipments of wheat and flour during the first 13 weeks of the crop season are only 9 million bu. The milling demand also was formerly more of a factor, because very often, prices were permitted to seek their level. The trade then had confidence and instead of pursuing a hand-to-mouth policy, there was forward buying; thus a good many hedges were taken out of the pit, or else, the flour business was instrumental in lessening the burden of hedges.

At the present time government support, whereby 157 million bu of wheat has been impounded, seems to furnish an artificial stimulus, but has not gone far in the direction of correcting the agricultural problem. Last year, to be sure, the government had a good deal of luck. Their success may be attributed to one of the worst droughts in history, and also, to the war which brought about a speculative move in April, when within a period of one month, the open interest in wheat advanced from 91 million bu to 112 million bu. Thus congestion was avoided, and instead of having a repetition of the Farm Board era, supplies went back into normal trade channels. Soon thereafter confidence was restored, but not until it was obvious that temporarily the artificial controls were nearly at an end. The tying up of supplies for a lengthy period also occasioned smaller domestic consumption, with less wheat fed to animals than if prices had been let alone. It is now thought by one of the heads of the grain loan division that the amount of sealed wheat will probably not be more than 250 to 275 million bu in the current year. Allowances, of course, will depend upon the price, but this is more in line with our own estimates that we have given to the trade for several months past. We also feel, since market prices show a premium over the federal basis, that there will be less desire on part of farmers to put much additional wheat under the federal loan, although we admit that it may require a higher level to bring out large quantities of frozen grain.

World shipments have averaged only 5 1/4 million bu weekly, so far this season, not counting Australia. This definitely augurs a poor export year, as shipments should be almost twice as heavy if Broomhall's figure for the whole season is to be attained. Of course, the blockade is a tremendous handicap. Since August 1st, Canada has cleared less than 20 million bu of wheat and flour, and therefore, has a balance for export and carryover of 714 million bu, after making due allowance for home requirements; this is 277 million bu greater than the quantity available last year.

Primary receipts were 772,000 bu compared with 1,127,000 bu last week, and 1,209,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 244,000 bu. We believe that we are approaching the period when shortly there will be decreases in the visible supply instead of gains.

There was not much feature to the market today; with strength in stocks, buyers were found early, but the advance was not maintained. December and May wheat closed unchanged, but the greatest pressure was on the July, the new-crop future, which closed 3/8¢ lower.

Corn was barely steady; before long we shall be faced with supplies from the new crop.

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CHICAGO October 4, 1940

When Italy joined Germany in the war, both countries were hopeful of quick victories, and a termination of hostilities before winter set in. The meeting early today between Hitler and Mussolini at Brenner Pass suggests that there are many matters to be discussed and that all may not be going too well. Foggy weather has restricted aerial warfare, although some attacks were made upon London, bombs being dropped haphazardly - wherever they might kill or terrorize civilians; but there is nothing decisive in action of this kind. The resulting damage to London during the past month has been heavy, if its burden on individuals is considered. However, it is very light in relation either to the wealth of the nation, or to the scale of its war effort.

Our market has paid very little attention to European political news for several weeks now, but it is in the grip of the government loan policy. The 177 million bushels of impounded wheat is naturally detrimental to futures trading. Such a large quantity not being hedged, as it ordinarily would be, has affected the volume of daily turnover, and likewise, the open interest of 57 million bu speaks for itself. However, this is only part of the story. The grain trade is more or less demoralized, and each day it becomes more a question as to whether it can weather the storm. The government, by its use of land-grant rates in transporting grain at various times, offers insurmountable competition to its citizens who have to pay the regular tariff. The building of steel bins has taken business directly away from terminal elevators, and also, from those who own, or operate, country stations. When the various federal agencies store grain they only pay half of the recognized rates which have been effective in this country for the last two decades. Data has been compiled by the grain trade to show that the elevators at terminal markets cannot make money at existing rates. Moreover, by keeping large quantities impounded, carrying charges have been spoiled, and this is the very lifeblood of the warehouseman.

The whole thing reminds us of a man suspended by a rope from a high building -- a disinterested party watching the procedure refuses to pull the victim in, but boasts that he has not cut the rope. This is the plight of those who are trying to carry on the nation's grain trade; they are slowly being crushed by a force too great to long withstand. While it is true that acreages in wheat, cotton, and other basic products, have been reduced through payment of bounties, the farmer is not content with letting his land remain idle, and we find that in 1940 there are 148 million acres being devoted to soybeans, barley, flax, grain sorghums, hay, cowpeas, and peanuts, compared with 132 million acres, the average of the period 1929-38, or an increase of about 16 million acres. During the same period, acreage sown to wheat, corn, and oats, had been cut about 19 million acres, and it is logical to assume that one day there will be surpluses in the various products, stimulated through artificial causes. Yet, the problem is not solved even in those grains where acreages have been cut, because with intensive cultivation, the use of hybrid corn, and better seed, we may still produce nearly as much on a smaller acreage as we did formerly when more land was under cultivation.

Primaries were 866,000 bu versus 962,000 bu last week, and 736,000 bu last year. Kansas City, Duluth and Minneapolis stocks so far this week show a net increase of 848,000 bu. The visible on Monday mey be more or less a standoff; a year ago there was a decrease of 3,609,000 bu.

Despitethe large quantities impounded, the market was rather easy, December wheat closing 3/4¢ per bu lower, while the May future declined 5/8¢ per bu.

Corn was firm, but trade was light. Small orders on either side of the market have more than the usual influence as there is no balance wheel at the moment.

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CHICAGO Oct. 7, 1940.

European developments were somewhat restricted over the week-end, owing to bad weather and poor visibility for flyers, but there continues to be great speculation as to the possibility of hostilities spreading into the Mediterranean on a bigger scale. The world has no definite knowledge as to what conversations took place at Brenner Pass last week. However, Mussolini will make an important speech Thursday of this week on decisions reached there, and this may throw some light on Axis ambitions for the future.

When our market opened this morning, the carryover feeling was slightly bullish. Many have reasoned that if 20 million bu of wheat were added to the impounded supplies last week when prices in many localities were above loan levels, the psychology of the farmer prior to election is still bullish. Producers may have in mind, also, that last year they were able to get out of government indebtedness by waiting until spring when prices advanced more sharply, and when the tightness in cash wheat became more acute.

At the present time, there are any number of elevator operators who are selling cash wheat in order to make room for government corn, and this temporarily is keeping the processors pretty well supplied. There are so many artificial stimuli at work all the time that the yardstick which usually guides values is lacking.

The Grain Dealers' Journal points out that new steel tanks have been ordered by the AAA, and that they will cost at least 9¢ by the time sites are procured and the tanks erected. In order to get the grain loaded into these tanks and then transferred to box cars, the average cost per bushel for handling and storing corn into and out of these tanks is about 12¢ a bu to the CCC. The same Journal laments the fact that government organizations hesitate to grant elevator operators a living charge for storing and handling grain. There is apparently a prejudice they say against patronizing the enterprising owners of safe grain storage facilities, which they claim is needlessly costing the taxpayers of the country a handsome premium.

Seeding of winter wheat is progressing fairly well. In Kansas, work is about completed and the crop is coming up to good stands. There was fine moisture over the week-end, and particularly in the Central States, which should also be helpful.

With very little chance for export business, even with the European crops some 340 million bu short of last year's production, it is a question as to how our agricultural problem will finally be solved. However, this, as well as bearish North American statistics, is held in abeyance, with the loan wheat commanding attention over all else.

Studied by States, we find that during the past week, Kansas, Oklahoma, Texas, and Nebraska had an additional 5 million bu frozen under loans, while in the Northwest, the percentage was heavier, with North Dakota, South Dakota, Montana and Minnesota increasing their impoundings by a total of 10 million bu. It is, therefore, evident that the farmer is willing to speculate on a higher price, knowing that if his judgment is poor, he stands to lose nothing, because his risk will be assumed by the government, which in turn would have to take the loss.

After many weeks of accumulating stocks there was a decrease of more than one million bu today in the visible supply; the total at all points is 172 1/2 million bu, however, or 30 million bu more than was on hand a year ago. The primary movement today was lighter, at 556,000 bu compared with 977,000 bu last week, and 787,000 bu last year. As previously mentioned there are some terminal markets where wheat is being moved to make room for corn. Whether this is true at Chicago, we cannot state, but the decrease last week in local wheat stocks was 337,000 bu.

Best prices of the day were not maintained, the close being 1/8¢ per bu lower for the December wheat, while the May future declined 1/4¢ per bu.

Trade in corn was light, and this cereal made a rather poor response considering the firmness in wheat; new incentives are being awaited. The corn visible increased 2,849,000 bu, but the trade is in a quandary as to what percentage of the total represents free supplies.

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October 8, 1940

A day of comparative quiet in London was most welcome, but it was followed immediately by heavy aerial activity, probably as severe as anything which that city has sustained during the past month. We saw a personal letter this morning from London describing the horror of the attacks. Dozens of people congregated in the corridor of an apartment, sleeping on the floor, while a hailstorm of shrapnel fell outside the windows. This party claimed that while the total damage had been severe, it was not even remotely decisive, and although people were naturally jumpy, there was virtually nothing like panic anywhere. However, the really grave problem was mass insomnia, and our informant believed that a big reorganization of life, work, and habit would become necessary, with more industry, businesses and homes working in relays, starting the day around noon when possible, and allowing for some morning sleep. More recent German activity in Rumania in trying to protect the oil wells of that country, according to a Dow Jones writer, can hardly fail to encourage bomb-battered Britain, both because it denotes obvious concern over oil stocks, and because of the imponderable Russian angle.

When our market opened this morning, quotations were slightly lower. The trade was impressed with the Robinson report, which claimed that seeding in Kansas was almost entirely completed and that the moisture condition is splendid; in fact, they thought the condition was about the best in the last seven years, with the country as a whole green - in some localities wheat already furnishing excellent pasture.

We find, generally speaking, that the grain trade has become extremely conservative and will not make long-time commitments. Very few people who have not studied the agricultural program fully are in position to comprehend the vastness of its activity. Most everyone realizes that loans have been made on cotton, corn, wheat and tobacco, but how many of them appreciate that the list covers too many items to be mentioned in a market letter of this size? For instance, wool and mohair loans have been made. Farmers producing raisins are also covered; prunes are included in the list; also, figs, turpentine, rosin, etc., not to speak of dates, pecans, and hops, while the government actually owns peas and vetch. The unfortunate part of the whole story is that when farmers are paid to reduce acreage on basic products, they often devote their efforts in other directions, where new troubles soon start. We pointed out recently how more acreage had been opened to grain sorghums, and as a consequence, the 1940 crop is 49% larger than the 10-year average, 1929-38. This has resulted in the government establishing a loan designed to assist producers in holding their feed and seed supplies, and to market their surplus in an orderly manner. Unfortunately, this may be extended all along the line if artificial stimuli are continued.

There was nothing much in the statistical news. Primary receipts were 937,000 bu, compared with 1,116,000 bu last week, and 1,023,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 45,000 bu. It is quite likely that some inroads will be made upon accumulated supplies, but the process will undoubtedly be slow as milling demand is mostly from hand to mouth.

In Canada the visible supply is tremendous - total stocks are 411 million bu, compared with 306 million bu last year. Even in 1939 it was considered extremely large, and now with farmers only able to sell a portion of their crop, a very complex problem faces that nation, particularly if next year production is normal.

At the last, prices were very little changed from the previous session. December wheat was 1/4¢ per bu lower, while the May future declined the same.

Corn was also indifferent. There is no feature to this cereal at the moment. Some think the movement will be disappointing, but it is a little early to say anything definite in that connection.

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CHICAGO Oct. 9, 1940.

There was extensive damage over Europe again last night. German naval bases were attacked; also, British planes bombed the channel invasion ports and struck at military objectives over a wide area of Western Germany, Holland, and occupied France. Oil refineries and power stations were also hit. London civilians were struck by high explosive bombs, witnessing the second longest night raid of the war.

Horrible as the destruction is, its influence upon markets is small, particularly in comparison with the World War, 1914-18. Prior to September 1939, whenever the possibility of war existed, traders immediately swung to the bull side of the wheat market, having in mind the activity which took place twenty-five years ago. However, there seems to be very little parallel. At that time, Canada had not yet become a big influence in world wheat production. Now, it must be admitted that with a crop and carryover of 862 million bu, which is a record for all time, there must be a surplus of 734 million bu, after making due allowance for home needs. Such a quantity of wheat would more than suffice for three years' import requirements into the U.K., or we might even say, for two and one-half years, if as a result of enemy action the entire British home crops in 1941 and 1942 were to be destroyed.

Unfortunately, Canada at the present time is finding very few Continental markets to buy her surplus stocks; therefore, it may yet afford that nation a tremendous financial worry, and may also tax storage problems to the utmost. At present, marketings are restricted to about 8 bu per acre, and although this quota may be raised later on, there is considerable doubt as to whether much of the crop will be marketed this year.

Our own problem in this country is less acute; but still we did start the season with crop and carryover of 1,068 million bushels, and since we are not apt to export over 30, or possibly 40, million bu,, we shall wind up the season with the largest reserve stocks we have had since the Farm Board era. Temporarily, the loan price and a political campaign may prevent extreme weakness; but, on the other hand, it is not easy to find buyers, either actual or speculators, with confidence lacking. It can only be restored after surpluses are again reduced to more normal levels.

The International Institute of Agriculture estimates the European wheat crop, exclusive of U. S. S. R., at about 1,425 million bu. This is a reduction of 240 million bu from last year's yields, but is not quite as pessimistic as previous estimates, and furthermore, is not very important, owing to the fact that most of the deficiency countries are unable to get their supplies from overseas.

The open interest remains small at only 57 million bu. However apathy not only on part of speculators, but also flour buyers, is responsible for this. Only nearby requirements are being cared for, according to the Northwestern Miller, and sales in the spring wheat territory are only 33% of Capacity for the week, compared with 62% a year ago. In the Southwest, bookings were 24%, compared with 35% in 1939. Export activity in flour is dull, with the exception of some sales to the Philippines, but now that the Orient is cut off, the business will probably be transferred to Southern Hemisphere countries.

Primary receipts were light at 531,000 bu compared with 616,000 bu last week, and 664,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 250,000 bu.

There was very little feature to the market; in fact, for periods during the session trade was almost at a standstill. With flour business poor, very few hedges were being taken out, but with light carlot receipts new pressure was unimportant. The December future was firmer than other months, closing 1/4¢ per bu higher, while the May was unchanged. There continues to be a bearish feeling on the July.

Corn did very little; weather is satisfactory, but it is a little early yet to expect any pressure from the new-crop movement.

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CHICAGO Oct. 10, 1940.

There was no change in the character of European war news. London again was heavily bombed, and apparently the German campaign is to wear down resistance by ceaseless attacks with the use of every conceivable device of approach. But thus far the morale of the people remains as high as ever. True, the city has been scarred, but the people of the capital are drawn together as never before by a common peril, which spares no rank or class. One hears of very few grain boats being sunk, and apparently traffic to Britain is almost normal; at least, they seem to be getting the necessary supplies under convoy with a minimum of loss, while during the World War we used to figure that one out of every ten steamers carrying grain was torpedoed, and never reached its destination.

For a time this morning Canadian futures were again at pegged limits. It seems a good many operators figure that short sales in Winnipeg will bear fruit if patience is exercised, because it may take years to get rid of the surplus that is accumulating. While it is not likely that the government will soon remove these pegs, there is good reason to believe that they will again pursue the policy of establishing a carrying charge in order that the elevators may exist. To do this, current deliveries may be lowered in order that the deferred futures will not sell at too high a price. Thus, the short would benefit when these changes are periodically accomplished. In addition to the Contintal markets which have been lost to Canada, she also has refused to sell wheat to Russia, except on license. A decree nearly a year ago was promulgated prohibiting exports of Canadian grain to countries adjacent to Germany, fearing that the grain might land in the wrong hands. So far, the Russian demand has not been large, and we believe that the United States sold most of the cargoes from the Pacific coast in doing this business. It is a fact, however, that for five or six years past Russia has regularly purchased 25 to 35 wheat cargoes for provisioning her Far Eastern outposts. This was done irrespective of domestic supply, as apparently it was cheaper to book overseas wheat than to ship it over the trans-Siberian railroad; and thus there was a potential demand from surplus countries, although small in comparison with the total. In this way, Canada and Australia are deprived of a valuable market at a time when even small demand is of some help.

After allowing for home consumption in Canada, and deducting total wheat and flour clearances of about 23 million bu to-date, there is still 711 million bu for export and carryover; certainly an unwieldy amount, even if we assume that new-crop supplies from the Southern Hemisphere may be below normal. Since the beginning of the season, world wheat shipments have averaged only 5 million bu weekly, not taking into account Australia, where censorship exists. On that basis, we shall never approach even the reduced total requirements of 440 million bu estimated by Broomhall earlier in the year.

During the first 14 weeks, the United States, according to revised figures, has cleared 8 1/2 million bu. Assuming that domestic utilization will be 700 million bu, which figure is somewhat higher than the government estimate, we still have 359 million bu of wheat available for export and carryover; this also is a huge figure, particularly with prospects for the next crop favorable, as at present.

It is regarded possible that there will be a larger acreage on the Pacific Coast, because of ideal planting conditions, and reluctance of farmers to fall in line with the acreage reduction program, according to a report from Portland; it seems that the small 9¢ payment this year has caused farmers to break away from government restrictions, so that heavier seeding appears likely.

Statistics were of no importance today. Wheat was firm, with some local buying on the theory that prices would have to advance 3 to 4¢ in order to attract country selling, as cumulative charges against loan wheat must be taken into the reckoning. An advance of 3/8¢ per bu was scored.

Corn was indifferent, but firm prices prevailed. Some think that the movement will be disappointing, as it has been in oats, and is at the present time in soybeans.

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CHICAGO Oct. 11, 1940.

After the close of the market yesterday, the government report was issued, which increased the spring wheat crop by 8 million bu. There was no change in winter wheat estimates, nor will there be any until the final figures are given out in December. Based on the data which we now have on hand, total production in this country amounted to 792 million bu. This compares with 755 million bu the year before, and while the increase only amounts to 37 million bu, history may record it as a phenomenon, owing to the fact that the winter wheat crop started off with the lowest condition ever reported. Taking into account the carryover reserve of 284 million bu, we must have started this season with total supplies of 1,076 million bu. This in itself would be bearish in normal times, and particularly so when export demand is so poor; but there are other considerations that are paramount at the moment and which must be recognized. The visible supply at the present time amounts to about 172 million bu, but there is more wheat impounded (and, therefore, removed from the usual trade channels), than the quantity at terminal markets; consequently, everything is artificial, and this may not change until a price level is reached where the farmer is tempted to redeem some of his loans.

The trade this morning was rather quick in recognizing these facts, and entirely ignored the statistical data, figuring that with an election soon at hand, the line of least resistance was on the constructive side of the market. The volume of purchases was light, and while some eastern buying was noticeable, we believe that the local element was largely responsible for today's activity. The fact that receipts were light everywhere tended to lessen pressure, and very few hedging sales seemed to come into the pit.

The European political news did not seem to carry much weight one way or the other. The Balkan situation is featured in newspaper headlines, and many regard that a break between Britain and Rumania is close at hand. Little is heard from day to day of export inquiry, and when it does develop, Canada seems to meet almost all bids with the result that other countries are selling but little. At the same time, shipments from the Argentine were 2 1/4 million bu this week, or practically as large as clearances a year ago when they still had a big surplus.

The government report yesterday brought out a number of interesting facts in other cereals. In addition to large quantities of government stored corn, which was not on hand in previous years, farm reserves of corn were estimated at 555 million bu, virtually the same as a year ago. Of this quantity, 231 million bu remain on Iowa farms, which is an all-time high; in fact, it equals 49% of last year's crop and, according to one comment, Iowa farmers, who formerly raised corn for hogs, are apparently now raising it for the iron bins. The prospects for the present crop improved during the month, yields probably amounting to 2,352 millionbu. This is an increase of 68 million bu over the average of private experts, but marketwise, it had very little influence as there was considerable short covering, and many people claim that it is not easy to buy cash corn now with the tremendous quantities that are frozen under the loan.

Primary receipts today were 683,000 bu versus 866,000 bu last week, and 899,000 bu last year. Kansas City, Duluth and Minneapolis stocks so far this week show a net decrease of 446,000 bu. We shall probably have a shrinkage in the visible supply on Monday; it will compare with a decrease last year of 1,757,000 bu.

With the market out of the rut there was a little larger volume, but the bulk of the orders still seems to be small. We understand that on the advance some storage wheat was redeemed, and while it is not an important factor yet, it at least shows a tendency. Last quotations were 1 1/8¢ per bu higher for the December future, while the May gained the same.

Corn was also strong, but for artificial reasons. There is no actual scarcity anywhere, but with tremendous quantities impounded, it creates temporary problems.

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CHICAGO Oct. 14, 1940.

The war news over the holiday and week-end points to a possibility of new zones of operations. However, there may be nothing imminent. News also states that both the English and German air forces continued to endeavor to wear down enemy resistance and productive capacities.

As of October 8th, wheat loans were increased to 209 million bu, or 32 million bu more than the week previous, which was a greater expansion than generally anticipated. We notice that the four Northwestern States increased 21 million bu, and the four Southwestern States showed 6 million more. The latter is somewhat surprising, as previous weeks had showed more of a levelling-off trend. This week's total compares with 127 million bu last year, and that was an increase of only 4 million over the week earlier.

World shipments this week were slightly larger, at 5,187,000 bu. This is occasioned by 2 1/4 million bu having been shipped from the Argentine, or a larger quantity than for several weeks. North American participation was about the same, at 2,768,000 bu. We noticed an interesting news dispatch today that the number of cars of export grain unloaded at Atlantic and Gulf ports during the month of September was 446; this compared with 4,063 cars for September 1939. During this same period export freight in the same ports, other than grain, was 47,901 cars against the year previous, 33,674 cars. So while many businesses have undoubtedly accelerated their overseas trade because of the war, grain has suffered.

Our Department of Agriculture estimates the European wheat crop at 1,375 million --some 20% less than last year when Europe produced 1,717 million bu, and considerably smaller than the 5-year average of 1,576 million bu. Of course, Britain is the only country that is expected to take normal quantities, and many countries on the Continent will have to eat into their security stocks, or practice great economies. Greatest hardships are expected to be felt in Belgium, and in Holland, but some authorities think that unoccupied portions of France will also experience dire need. The Stanford University economists believe that, considering the world's stock and economies that will be practiced, the carryover in 1941 will possibly equal the record stocks of 1940, but, of course, there will be large increases in some of the exporting countries against European reductions. Meanwhile, the latter is doing all possible to increase acreages for the new crop.

There have been some interesting figures published on corn, and it seems that the Commodity Credit Corporation holdings, plus the amount of old corn on the farms and privately-owned terminal stocks, bring the carryover somewhere near 700 million bu, as of October 1st. We note that on October 8th, there was a total of 456 million bu corn sealed under loans and owned by the CCC; therefore, the amount of free corn must have been in excess of 200 million bu, which is a larger quantity than farmers normally carried before government assistance was given in various forms. The corn-hog ratio is not as profitable as it has been for several years and one wonders how freely corn might be marketed when the new crop is in condition to move freely. Meanwhile, there seems to be a good commercial demand out of Chicago, and 348,000 bu were reported sold out of here today, with 162,000 bu booked. Current price for old corn that is being received in Chicago is around 65¢ for No. 1 yellow.

Primary receipts of wheat today were heavier because of the holiday, at 1,026,000 bu against 556,000 bu last week, and 587,000 bu last year. The visible supply showed the second decrease for the season, at 2,078,000 bu, and there is now a total of 170 million bu, or 30 million bu larger than a year ago.

Markets ruled firm throughout the session --the December wheat closing 3/4¢ per bu higher, while the May was up 5/8¢ per bu. Other grains were firm with the exception of rye, which seemed to lag.

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October 15, 1940

The writer just returned from the 44th Annual Convention of the Grain and Feed Dealers National Association at Louisville, where he met grain men from almost every part of the country. The universal question on everybody's mind was whether the private grain trade could continue to function with ever-increasing government participation. There was great discouragement amongst grain men; there was the general feeling that under federal rule certainly no more efficiency had been displayed, nor had a higher standard of integrity been shown than during the many years when private competitive enterprise had existed. Many pointed out that in the handling of tremendous contracts, both for export and in the merchandising of grain at home, engagements were often entered into by word of mouth. Sometimes these took place over the telephone, or else by private or public wire, but in conducting this business there were comparatively few disagreements, hardly any arbitrations, and just a minimum of lawsuits. The margin of profit had permitted the average entrepreneur to make a fair living, but no vast fortunes had accumulated. At the present time we find that a marketing system, which has brought tremendous advantages to farmers and consumers alike, also, the facilities for handling of grain, are weakening. This is so because no structure can long withstand government competition while the taxpayers' money places private industry at its mercy.

We have only to look at the Argentine price, with November wheat at Buenos Aires selling at 46¢ per bu, to learn what this article is worth on the world's market. Of course, with 209 million bu of United States wheat impounded under the loan, and apparently more being tied up daily, we have temporarily a very artificial situation; and it may yet require a higher price level until the farmer is tempted to redeem some of his loans. But the secondary consequences may disclose an entirely different picture, and finally, if the weight of supplies exerts its normal market pressure, we may end up with a much lower level than now exists. Therefore, stability is possible only temporarily, and in the meantime, we shall undoubtedly feed less wheat to animals than would have been the case if prices had been allowed to seek their level. It is even becoming increasingly difficult to subsidize exports. England, which is the one country which can usually be relied upon to take 200 to 250 million bu of foreign wheat annually, seems satisfied to get her supplies from Canada, and from Australia. Therefore, with the British blockade effective, there are very few customers who can buy our products. It is true that some of the smaller Central and South American countries may come in occasionally for supplies, but after all, this is comparatively unimportant. It is, therefore, almost an assured fact that carryover reserves will continue to increase, and thus, the day of reckoning is only delayed.

Statistics do not count for much. Primary receipts were 772,000 bu, compared with 937,000 bu last week, and 886,000 bu last year. So far this week Kansas City and Minneapolis stocks show a net decrease of 88,000 bu.

The wheat market was firm early, but it is quite obvious that there has been no great enthusiasm, even though markets have advanced about 15¢ from the season's low. The open interest of 56 million bu is about the smallest in some time, indicating general indifference. With some profit-taking sales, there was a slightly easier feeling at times, but the general volume was light. December and May wheat closed unchanged.

There was hardly any feature to the corn market. There is considerable government corn being stored in private elevators, but despite huge supplies on hand, apparently too much is impounded to permit any real pressure upon the market. It remains to be seen whether this situation will change when the new crop moves in volume.

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CHICAGO October 16, 1940

Events of the utmost importance fail to have much influence upon grain prices at the moment. Ordinarily, a British naval victory, such as took place in the Mediterranean recently, would have had its repercussions. Likewise, cessation of normal trade relations between Britain and Rumania, after it became apparent that the Balkan oil state was under German domination, might have influenced sentiment. But there seems to be the greatest indifference at the moment except to one factor: namely, the impounding of wheat domestically under the loan program. As a matter of fact, many businessmen, who frequently traded and took an interest in commodities, find that they are busier than ever trying to study new laws, particularly those that deal with taxation. Very few members of Congress can be found who will attempt to explain any of the provisions of the excess profits tax measure, and few business concerns can possibly make out their own returns under this bill without calling in expert advice.

According to the American Taxpayers Association, "One member of Congress said he did not believe there were brains enough in the Treasury Department or in the Bureau of Internal Revenue absolutely to explain the various complicated sections, but they do have the authority to tell the corporation or an individual where they get off, and come up to the counter and pay."

It is not surprising, therefore, that when the majority of people fail to understand the tax laws as written that they are hesitant about making forward commitments. We find that even millers are operating from hand to mouth, and therefore, with more than 25% of this year's crop frozen under the loan, there has not yet been an acute shortage of cash supplies, with nearly four months of the crop season passed. When it is furthermore considered that about 200 million bu of wheat is used in this country in the form of seed, feed, etc., one might wonder where the freezing of supplies will reach a point to create real tightness. We hear of a few scattered lots in various parts of the country being redeemed from the loan hoard, but as yet, this is comparatively unimportant, and it might take another 4 to 5¢ advance to bring out larger quantities.

However, with such a possible ceiling over the market, there is no enthusiasm on the bull side, and this is substantiated by the fact that the present open interest in wheat is very close to the record low. There have been periods when the total open interest was smaller, but we believe that occurred at the end of the season rather than at a time when the visible was at about its height.

Statistically, there was nothing new. Receipts everywhere are pretty light. According to the Northwestern Miller, the flour business last week was only 39% of capacity in the spring wheat areas, compared with 46% in 1939. In the Southwest, the situation was even worse, with mills selling 17% of their capacity against 25% a year ago. Despite small carlot arrivals at terminals, mills are having little difficulty in getting their requirements because elevators, finding themselves in a position with inverse carrying charges, are, therefore, selling stored wheat at great concessions in order to make room for government corn, and thus try to improve their opportunities for profit.

Primary receipts today were 438,000 bu versus 531,000 bu last week, and 551,000 bu last year. So far this week Kansas City and Minneapolis stocks show a total decrease of 315,000 bu.

The wheat market here was firm. There was no particular feature, however, except lack of pressure. At the last December wheat was 5/8¢ per bu higher, while the May future rose 3/4¢ per bu.

Corn was more or less neglected. The crop is practically safe from frost, and what the farmer now wants is dry weather. Some of the grain is too moist for safe cribbing. Production this year is slightly above average, despite acreage curtailment, and the carryover is tremendous. However, there are too many artificial influences surrounding the market for one to have any pronounced opinions.

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CHICAGO October 17, 1940

With the speeding of our defense program, industrial production is rising, and the Federal Reserve Bank reported yesterday that the index during September had risen to 125% of the 1935-39 average, with a further increase indicated for the current month. Ordinarily, whenever there is a business upturn, it is likely to modify plans for new taxation, but our expenditures have grown so tremendously in this country that any thinking person must discard such thoughts. Very often, during the past years when Congress has met, it announced that no new taxes would be necessary; but, in spite of these assurances, we have already had two tax bills this year, and ten tax bills in the past nine years, of which eight had been passed as late as June of each year and applied to that year's income, thus creating handicaps to business in respect to being retroactive. The present excess profits tax, being enacted only about three months before the end of the fiscal year, throws into jeopardy whatever policies business may have outlined during the previous nine months. Therefore, it can be seen that it is not only the high ratio of tax itself which hurts, but also the manner in which it has been handled. In other words, with no time for deliberate study, when Congress nears the end of a session and wants togo home, it breathlessly heaps together a new act designed to bring in more money.

From a statistical point of view, there are not many changes taking place daily, or even weekly. We find that since July 1st, or for fifteen weeks, the U. S. has exported 9 1/2 million bu of wheat and flour. Taking into account that crop and carryover, on basis of latest figures, amounted to 1,076,000,000 ,we still have available a total surplus of 367 million bu, allowing for domestic utilization of 700 million bu. The latter figure is somewhat more than the government estimate.

Despite a very poor crop outlook in Australia, and possibly less than average yields in the Argentine, chances for export are rather gloomy, owing to the tremendous reserve supply in Canada. Their season starts August 1st. Since that time, they have cleared about 24 million bu of wheat and flour, which is really nothing, considering that crop and carryover supplies were 862 million bu. There is still available for export and next carryover 709 million bu-- a terrific quantity of wheat. Last year when the figure was 432 million bu, it was considered large, but, of course, nothing in comparison with present supplies.

To date, total world shipments, exclusive of Australia, are 34 million bu less than a year ago. As long as the blockade remains effective, we figure that world requirements will be held down to very small figures. They have only averaged about 5 million bu weekly so far this season, and if Broomhall's estimate for the entire season is to be fulfilled between now and next July, weekly shipments would have to average 9 1/4 million bu, which seems highly unlikely if the war continues. Therefore, world's carryover in 1941 will probably be the largest on record, and from a supply-and-demand point of view, the bull is not afforded much encouragement. Markets, however, are still under the domination of artificial moves, and the country has shown no disposition to sell impounded supplies on a large scale.

Primary receipts were 647,000 bu, or practically the same as last week; a year ago, they amounted to 505,000 bu. Kansas City and Minneapolis stocks so far this week show a total decrease of 484,000 bu.

Wheat was firm after a slightly easier start. The sale of about 302,000 bu of wheat from Chicago, presumably to a mill, created a little bullish sentiment, and with no opposition December wheat closed 3/4¢ a bu higher, while the May future advanced 5/8¢.

Corn was very strong; shipping sales were large, and bookings from the country small. The trade felt that with so little corn marketed even on the advance, the movement might prove disappointing, when ordinarily accumulations of free corn take place.

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CHICAGO Oct. 18, 1940.

The Bureau of Agricultural Economics came out with a rather lengthy resume dealing with large world wheat supplies, and their figures are very much in line with what we have been telling the trade for several months past. They went a little further, however, indicating that, with acreage for the 1941 harvest about the same as in 1940, we might expect a production next year of 750 million bu, which would be, roughly, 50 million bu over domestic requirements. On basis of present prospects, exports of wheat during the season may total 25 million bu, but they, as well as other experts, recognize that unless there is a change in the European political outlook, the export business from the United States will be way below normal. There seems little chance that producers in this country will share in any large quantities of overseas import requirements.

Thus, anybody trading in wheat must face realities, and it is almost a foregone conclusion that on July 1, 1941, we may have a carryover close to 350 million bu. Likewise, Canada may have reserve supplies of possibly 550 million bu, or a total of approximately 900 million bu for North America. This is nearly twice as much wheat as the world has carried over on some occasions, and is bound to exert a very bearish influence uponworld's prices. The Canadian problem may become very acute if they raise a normal crop again next year, and therefore, the question of storage aggravates the situation. Under these circumstances, one cannot be too optimistic on the domestic price structure, despite the fact that various artificial stimuli are at work. We are, of course, temporarily independent of prices that are ruling in other countries. However, a crop next year larger than normal, or any revision of the loan or export subsidy programs might be factors which would face us in the future.

Everyone must be mindful of the fact that the present loans differ from previous ones, insofar as they are demand loans and the government could call them at any time, if it chose to do so. Furthermore, warehouse loans automatically mature eight months after the date they are entered into, which would mean that some of the loan wheat might come back on the market next February, even though farmers had the will to continue operating with government money. If we read the law correctly, April 30th of next year is the deadline when all farmers, regardless of when they made their warehouse loans, must either repay them or default. We are mentioning all this because a good deal of the buying recently was based on calculations that were primarily outside of the supply and demand realm. In other words, there has been only one factor carefully watched: namely, the impounding of wheat, with little regard for what might happen when these tremendous supplies come back into the regular trade channels, or in the event of a default that the government would take title to the grain.

Past experience has shown that even the Farm Board, which supported the market at 81¢, was a big seller all the way down to 40¢ at a subsequent period, and at that time it was only sheer luck that a disaster was prevented by three or four years of drought. One cannot be too sanguine when a government has to support so many articles through the means of a loan. If it were only wheat, or only corn, or only cotton that required attention, the situation might be different but just while writing this letter, we are informed that the CCC has announced a $10 million loan to assist peanut producers. Extensive loans in every field of endeavor might finally be demanded by every conceivable producer, regardless of what he raised, and finally, by manufacturers who would want insurance against possible losses. Therefore, the day of reckoning might come much faster than is considered likely by many people at this time.

Statistics were of no consequence; stocks at Kansas City, Duluth and Minneapolis show a net decrease of 439,000 bu so far this week. The change in the visible supply next Monday will compare with a decrease last year of 2,338,000 bu.

Despite further wheat sales out of Chicago, there was a slightly easier tone, with a decline of 5/8¢ per bu for both the December and May wheat.

Corn was a shade lower, but there was no feature.

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CHICAGO Oct. 21, 1940.

With wheat prices in many parts of the country higher than the basic loan rates, the trader naturally wonders why producers do not redeem more of their loans, and pay off their indebtedness to the government. It is not difficult to explain this, owing to the fact that the government loan is not actually a loan in the usual sense of the word, because in reality it simply gives farmers a put on their wheat. It differs from the ordinary commercial loan that would be made at the bank by virtue of the fact that at times the government extends more money than the value of the grain. Secondly, if the price advances so that the government could liquidate its obligations without a loss, it probably does not do so, nor does it ask the producer to settle up his account, as would be the case if the bank were doing business. Therefore, it places the farmer in a position where he can speculate, because if the price is finally lower than at present he simply defaults, and is never penalized. The farmer by nature is somewhat of a speculator. Certain risks, of course, he has to take: namely, those of weather, yield, etc., but even after harvest he often sells only a portion of his crop to pay accumulated debts, and on the balance is willing to take a chance that prices may be higher later in the season. Therefore, the government program fits in with the ideas of some producers, particularly those who are least conservative. At the present time we find that of the 217 million bu of wheat that is impounded, there is 190 million bu stored in warehouses, paying certain charges to be carried, while 27 million bu is included in farm storage by those who have the facilities to take care of their own grain.

It is also interesting to note the distribution of loans in the four Southwestern states, consisting of Kansas, Oklahoma, Texas, and Nebraska, where 211 million bu of wheat had been harvested; there is about 97 million bu under the loan. In the Northwest, the following four states, North Dakota, South Dakota, Montana, and Minnesota, which raised 219 million bu, have about 65 million bu tied up. And with the loan price inMinneapolis 87¢, which is out of line with other markets, we might assume that between now and the end of December further quantities might be impounded. Much, of course, depends on the price level. But in any event, the compliance farmer has until the first of the year to ask for a government loan if he desires to do so.

On the other side of the picture we find the speculator extremely hesitant, because he in turn realizes that very likely at some point or other the wheat which is now off the market is apt to come back into the regular trade channels; therefore, the open interest which often is as large as the visible supply is down to the low figure of 55 million bu. Daily trade, likewise, is at low ebb, and we find that onSaturday only 6 million bu wheat changed hands in the pit. With practically a ceiling over the market, people are not easily induced to make commitments as they would in ordinary times. Many speculators like to take the constructive side of the market, and, therefore, absorb the hedges when accumulations take place. However, fearful that there may be a repetition of what occurred last year: namely, a sharp break after the wheat comes back into commercial channels, there is a certain reluctance now; and therefore, all markets are rather narrow in character.

Primary receipts were lighter than last week but not much smaller than last year. When the visible supply was posted it showed a decrease of 1,432,000 bu, leaving a total of 169 million bu in all positions. This is approximately 31 million bu greater than the figure a year ago. However, Chicago decreased heavily, the shrinkage amounting to 465,000 bu. Recent sales from this market have been heavy.

There was very little trend to the market; in fact, the close was about unchanged. The same was true of corn.

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CHICAGO Oct. 22, 1940.

With prices at Winnipeg practically stationary owing to the peg, there is very little news coming from Canada with regard to their grain situation. Volume of business at Winnipeg is so small that there is no trade interest. Yet, very important events are taking place, but these are hardly being mentioned. Export shipments of Canadian wheat are very slow. Movement of wheat down the Great Lakes has failed to keep pace with receipts at terminals at the head of the Lakes, and consequently, the railroad companies have established a virtual embargo on shipments from country points to either Fort William or Port Arthur.

The Canadian Board is not offering freely, possibly having in mind that with the international demand so poor, even a price reduction might not broaden the inquiry. However, the officials are fully cognizant of the situation, and the Minister of Commerce apparently has no intention of avoiding the issue. He recently stated, "Serious as was the present position, it was only trifling compared with what it would be next year unless the international situation altered rapidly. Unless the Empire managed to gain a secure foothold on the Continent, Canada must face another crop-year with her elevators full and nowhere to store the new crop excepting on the farm." Meanwhile, Canadian visible stocks have established a new high for all time. There is 432 million bu in various positions, compared with 336 million bu on hand a year ago. There may be some added demand later on because of the poor crop prospects in Australia and a smaller-than-normal crop in the Argentine, but, unfortunately, European demand is still disappointing. According to well advised informants, too much importance has been attached to war losses of wheat and flour on passage to the U.K., or to grain stored in that country. The Ministry of Food claimed that there was no difficulty in maintaining a substantial security reserve, and that recent losses due to bombing, etc., have been below expectations. It must be borne in mind, however, that if the attacks on the ports continue, or are intensified, Britain may have to rely more upon flour as the basis of her security reserve instead of on the raw materials. If that were accomplished, she would achieve wider distribution of supplies throughout the country. These plans have often been discussed in England, but the ever-normal granary was rejected even during war, on the theory that the risk of insect and vermin damage would make such a policy hazardous.

In this country, domestic factors are receiving all the attention. It was rumored that large eastern bakers might be in the market shortly for rather substantial quantities of flour, and in fact, there was a slight improvement in the demand; therefore, we had a somewhat higher market. More important, however, is the large stock of impounded wheat, which has created a very artificial situation, at least, temporarily. There is still no apparent desire on part of farmers to redeem loans and to pay off government indebtedness. In some localities, however, we are told there is as much wheat coming out of the loan as is going in. Therefore, should the market break at any time, the farmer's psychology might change; and this bears close watching.

Primary receipts were 655,000 bu versus 772,000 bu last week, and 570,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 245,000 bu.

Markets were quite strong; a little buying also was attributed to recent dry weather Southwest, although up to the present time, it is anything but serious. July wheat, however, went to a new high for the season, influencing the other months also. At the last December wheat was 1 1/4¢ per bu higher, while the May delivery advanced 7/8¢.

Corn was strong, the movement is light, and many believe that it may prove disappointing, with large quantities being impounded. It is not surprising, therefore, that the market is so artificial. Sales from Chicago were large.

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CHICAGO Oct. 23, 1940.

Overseas shipments of wheat to ex-European countries since August 1st of this year have been 15 million bu, compared with 19 1/2 million for the same period last year. This is exclusive of Australia, which country has been publishing no detailed figures on shipments since shortly after the outbreak of hostilities. With adequate supplies of wheat in Canada, Australia is handicapped in shipments to Great Britain. Transportation is probably the greatest problem, and also England must conserve shipping space for items such as wool, butter and other food products from the antipodes. However, in view of some restriction in acreage, and also, reduction in output, it does not appear as though any great problem will be presented to Australia, as there is little doubt that her supplies will be needed, especially in Asiatic countries.

The rice crop in Japan is estimated at 574 million bu for 1940, as against 627 million for 1939, at which time the crop was the smallest since the year 1935. During the season just closed, Japan has experienced the most acute rice shortage in years, and imports for 1940 of substitute food products will be the largest in the last fifteen years. Furthermore, with the present short crop, imports next season will of necessity be of significant proportions. China also has a rice harvest 6% smaller than last year. Of course, these estimates of importations are predicated on the fact that the conflagration will not spread to the Far East. Japan's standard of living is extremely low. War economy always means the tightening of the belt, and it is rather doubtful whether Japan can face a further lowering of the standards without having internal repercussions.

The only European country expected to take sizable quantities of wheat, of course, is the United Kingdom, and it is thought that they will maintain their stocks at a full level. In this connection, there have been no official estimates of quantities imported, but the British Board of Trade gives the value of imports for grain and flour from January 1st to August 31st at 70 million pounds sterling, and while ocean freight charges have been considerably higher than before the war, the value of imports for the same period in 1939 was only 40 million pounds sterling. It is believed that British imports will be limited primarily by their ability to store the merchandise and the amount of destruction to facilities.

While a few complaints may be heard from our Southwest about the need of rain, the majority of reports we receive speak of the splendid growing conditions and the fine appearance of most of the fields. Although moisture has been somewhat deficient the past few weeks, there is no immediate fear being expressed.

The wheat situation in this country presents a paradox. On the one hand, we have ample supplies, good prospects, and no export outlet, while on the other hand, we have a freezing of supplies under the misnomer of a loan, and what price level it will take to bring out the impounded wheat is a conjecture. Wheat at present is selling over the loan price in some of the markets, but it does not seem to attract any quantity of wheat, and the producers apparently prefer to continue their speculation, which the so-called "loan" or "put" price has afforded them. If wheat should come out in any sizable quantities with inverse carrying charges, the elevators would not be very willing buyers.

Primary receipts of wheat were 692,000 bu versus 438,000 bu last week, and 570,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 654,000 bu.

Local sentiment at present favors the constructive side. Assisted by strength in corn and other cereals, the market advanced to new highs, and at the last December wheat was 3/4¢ per bu higher, as was the May.

Corn showed independent strength. With premium for the two yellow corn ruling from 6 to 7¢ over, the present price in Chicago is above the suggested loan price of 61¢ for the new crop. However, there is some feeling that on the free corn which will be available, the movement will be somewhat delayed, owing to the moisture content.

Oats seem to be in a strong position; although the harvest was of good proportions, very little has been moved to terminal markets, and the visible is at extremely low figures.

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CHICAGO Oct. 24, 1940.

News from Europe has not been of a bombastic type, but has again entered a period of so-called diplomatic moves, with the pressure groups attempting to line up almost the entire Continent of Europe against Great Britain. Undoubtedly, England will suffer some further diplomatic defeats, particularly in the Balkans, as Greece is in a rather vulnerable position to oppose the Axis, and Turkey is greatly exposed if forced to stand alone. The attempt to draw France into active participation against her former ally bears careful watching as to its effect on the United States. Should France finally decide to take up arms, the position of Martinique might easily raise questions involving the Monroe Doctrine. Although it is probably true that the sympathies of the French people are still with their former brothers-in-arms, on the other hand, their voice may be feeble against the dictatorship rule.

It is very generally recognized that agriculture plays an important part in our economy and prosperity, and that the entire nation is interested in the farmers' welfare. In the anxiety to advance the standards of farm communities, fundamentals are at times overlooked. Any business, whether industrial or agricultural, is only healthy when the volume is on the increase, and when more usages are found for its products. Unfortunately, in looking over the wheat statistics, it appears as though the per capita consumption of this cereal in the United States has been going downward the last several decades, in spite of the fact that our population is continually increasing at the rate of about a million persons a year. Although the statistics which we have available are not complete, according to a publication of the Bureau of Agricultural Economics, issued by the U. S.Department of Agriculture, the domestic disappearance of wheat for food and commercial feeds was running in the neighborhood of 475 million in the period surrounding 1923, while at the present time, this disappearance amounts to around 500 million bu, or an increased consumption of approximately 25 million bu versus an increase in population of about 19 million people. On basis of the per capita consumption in the early part of the 20's, the increase in population should account for an increase of 75 to 80 million bu, against an actual increase of somewhere in the neighborhood of 25 million bu. This does not take into consideration the additional amount needed for seed, should our requirements be greater. Consumption in many products has been enormously benefited by sales promotion work and other mediums. Is this not a field that might be explored in behalf of the wheat raiser that would prove of permanent benefit, as it is axiomatic that the farmers' net income is not what he receives per bushel but what he receives from the total production of his farm?

Primary receipts of wheat were 509,000 bu vs. 647,000 bu the previous week, and 1,354,000 bu last year. So far this week, Kansas City and Minneapolis stocks show a total decrease of 789,000 bu. Weekly shipments from the Argentine dropped down materially, and only amounted to 367,000 bu against 1,390,000 last week, and 3,986,000 the same period last season.

There was not much in the grain news today, although the market seemed to be a little more two-sided, with an inclination on part of some of the longs to take profits. There was also some mill buying in evidence. So far there has been little sign of wheat being attracted from either those who have made government loans or those who are holding the wheat, although they have not as yet applied for the loan; and it remains the daily subject of conversation in grain circles as to what level of prices will attract this wheat onto the market.

There was a tendency for the December future to lose on the more-deferred months; both May and July went into new high ground during the session, but could not maintain their advances. At the last the December wheat was 1¢ per bu lower, while the May was 7/8¢ lower.

Bookings of corn remain extremely light, and this cereal showed independent strength throughout the session.

Oats also remained relatively firm, and the fact that there has been such a small movement to market has attracted attention to this cereal.

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CHICAGO October 25, 1940.

While we are thoroughly cognizant of the fact that very little attention is being paid to statistics, at the same time it behooves all who are interested in the grain markets to cast about from time to time, and to review actual conditions as they exist throughout the major wheat producing areas of the world. According to a Reuter's dispatch, the Australian Wheat Conference has agreed upon a stabilization plan under which the Commonwealth and State governments would acquire, or take control, of all wheat grown. Despite prospects of a small harvest in Australia, it is expected that that country will have ample supplies to take care of the demand which she is called upon to fulfill. Last year, the British government purchased more than one-third of that country's 1939 surplus; otherwise, Australia had only moderate success indisposing of further amounts, and a considerable surplus may remain when the present season ends. All the available British tonnage has to be used economically and efficiently for war purposes, and the shipping board will be more and more reluctant to send boats on the long journey to Australia for commodities which can be more conveniently obtained in Canada.

Along the same line of reasoning, Broomhall states that it is feared that Argentina will meet with little more success in disposing of her coming wheat surplus than she did in the disposal of her huge corn surplus. Beyond limited amounts which the U.K. may take for "filler" purposes, Argentina will have to be content with such quantities as she may be able to dispose of to Portugal, Spain, Greece, and her neighboring markets, such as Brazil, Peru, etc. We observe with the closing of European markets that shipments of corn from Argentina have been running from 1/2 to 3/4 million bu a week, whereas they have a surplus which would permit exports ten to fifteen times that size in order to substantially reduce her stocks before the next crop is available.

So far as theability of Canada is concerned to supply England with the necessary wheat requirements, the former has a visible supply of 432 million bu, of which 94 million bu is at the Eastern seaboard and Eastern lake ports, available for immediate disposition. In addition to the visible supply, there must be in the neighborhood of 300 million bu still back on the farms, and the congestion is so great that freight embargoes have had to be established at many country points. Up to the present time, the farmers in the three Prairie Provinces have marketed about 200 million bu, or 40% of the surplus crop, whereas, normally up to this time, 65 to 70% would have left the farm. Undoubtedly, from now on the rate will probably be very small, because as mentioned above, the facilities for handling the movement are congested. The export outlet shows little chance of bringing relief, as weekly export clearances are running less than 2 1/2 million bu.

In this country, according to the Bureau of Agricultural Economics, they look forward to a 1941 farm improvement in the domestic demand and a rise in prices, but they recognize that this condition only applies to those articles used for domestic consumption, and that the condition surrounding the commodities which usually go into export channels is somewhat different. With the virtual closing of all Continental European markets, exports will be greatly reduced. They further state that world supplies of wheat are large, and that Great Britain can obtain all needed supplies of this cereal from her own dominions.

The major factor surrounding the wheat market to date has been the impounding of supplies under government loan, and the wheat held in storage, which has not as yet been put into the loan or onto the market. We hear of some small quantities being freed, but so far it has been of very small proportions. Yesterday, we were told by one farmer that he could clear his wheat from the loan at about 5¢ profit and that he would probably take advantage of the present price to liquidate. Should the point be reached where wheat would come out in any quantity, it naturally could reverse the feeling, and it might be more difficult to find new buyers to absorb hedges around the present level.

(OVER)

Primary receipts were 611,000 bu versus 575,000 bu last week and 532,000 bu the same period last year. Kansas City, Minneapolis an Duluth stocks show a net decrease so far this week of 1,212,000 bu.

Trade today was of a little more mixed character; commission houses seemed to be a little freer sellers, while some of the locals apparently were willing to reinstate their lines on the decline. However, volume of trade still remains at very low levels. At the close, December wheat was 1/8¢ per bu lower, and the May wheat unchanged.

While somewhat lower prices were also registered in corn, shipping sales out of Chicago were quite large, with bookings from the country very small, and all receipts are well absorbed by the industries.

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CHICAGO Oct. 28, 1940.

Upon the expiration of Italy's three-hour ultimatum to Greece, hostile attacks were started by land, sea, and air. Greece was fighting with her little army, assured that Great Britain was sending unlimited support. Meanwhile, reports from Ankara stated that Turkey was stronger than ever, but no mention of Italy's invasion of Greece was made. It was generally assumed that Turkey's attitude would depend upon how much aid Britain could offer to Greece, as well as on the degree of Greece's own resistance. In the meantime, R.A.F. raids uponthe Skoda armament works took place, and it seems that the British assaults are concentrated on a systematic pattern of attack, designed to demolish objectives considered worth destroying. This has taken place, despite cries for revenge on Berlin against civilian and property damage to London.

When our market opened this morning, it was influenced somewhat by lower prices for securities, and there was further liquidation by tired holders, probably disappointed by the action of the market last Saturday. There are still a number of people who feel bullish on wheat prices entirely for artificial causes. They point to the fact that there is now 227 million bu impounded under the loan, compared with only 146 million bu last year. However, it is our impression that it takes the government some time to compile their data, and that by the time they get individual reports, possibly there is a lapse of two or three weeks. Therefore, there may actually be some change in the situation, particularly as the recent advance in prices has been instrumental in bringing out some small lots and putting the grain back into commercial channels. While such redemptions have not been important up to the present time, it is quite possible that the psychology of growers may change when they see that the market can go down as well as up.

They may also feel somewhat encouraged with the recent rains that have fallen over the week-end, improving the prospects for the winter wheat plant, and thus the situation is different from what it was a year ago, when we had one of the worst droughts on record, and when the condition of winter wheat in December was only 55% of normal. At that time, sentiment in the trade was also bullish. Two factors were present: one was the poor crop condition just referred to, and the other a war psychology that finally carried the price to about $1.10, and this gave farmers a chance to liquidate their government indebtedness.

When the visible supply of wheat was posted today it showed a decrease of 2,764,000 bu. At the present time, stocks in all positions total 166 million bu; this is nearly 30 million bu more than the quantity on hand in 1939. At Chicago there was a shrinkage of 136,000 bu, leaving 13,615,000 bu in this market. Today's primaries were rather small --they amounted to only 554,000 bu versus 639,000 bu last week, and 666,000 bu last year.

After an early break the market developed better support, and new pressure was rather light. It is somewhat difficult to tell from the primary movement how much wheat is coming back into private hands. We notice that of the total amount impounded 196 million bu represents warehouse storage, while 30 1/2 million is on farms. Therefore, as growers liquidate, it does not necessarily imply immediate shipment or transfer of stocks, as one would expect at the beginning of the season when farmers market their grain and it moves to terminalmarkets. At the last, December wheat showed an advance of 3/4¢ per bu, and the May future was up 1/2¢ per bu.

Corn was weak early in sympathy with the leading cereal, but recovered. The visible supply increased 3 1/4 million bu to a total of over 51 million bu. There is nearly 26 million bu more in all positions than a year ago, but since a good part of this represents government loan storage, it does not have the usual effect.

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CHICAGO October 29, 1940.

The Canadian Dominion government issues a monthly review of the wheat situation, and intheir opening paragraph this month they state, "The strength in both the Winnipeg and Chicago markets has been of a somewhat artificial nature." We believe that this is an extremely mild statement, owing to the fact that statistics in the two countries have never been more bearish than at present. The commercial grain stocks, which mean the visible supplies for the two countries, are 620 million bu, compared with 502 million bu last year. In our own country, there is no unusual congestion, but the same is not true in Canada where the arrivals have been sufficiently heavy at the head of the Lakes so that the railways have been compelled to place an embargo on shipments from country points to Fort William and Port Arthur, with the exception of 25 cars daily, which may be shipped from Alberta points. Meanwhile, Canadian export clearances have continued at a slow rate, and despite the fact that very little wheat or flour is being placed afloat by the United States, by the Argentine, or by Australia, we find that Canadian clearances are nearly 10 million bu smaller than for the corresponding period of the previous crop-year.

Under these circumstances, it is not easy to arouse enthusiasm on the bull side of the market, particularly since prices have reached a level where at many points farmers can redeem their loans and pay off their obligations. Furthermore, the winter wheat crop is getting off to a good start, and there was again scattered moisture overnight, which will undoubtedly be of great benefit. This is in direct contrast with the unprecedented drought conditions that prevailed in the autumn of 1939.

In today's trade, there was very little in the way of additional grain news, or news from Europe. Great Britain is giving Greece military assistance in the widest sense of the term, and apparently, was not caught asleep when the conflagration started. The British Navy has also reported to the scene of action, thus increasing the morale of the Greek people. While attacking Italians struck through the passes along the boundary between Greece and Albania, they were unable to drive back Greek defenders.

There was some local selling at the outset, possibly induced by a statement by the Canadian Minister of Agriculture, who claimed that Canada had sufficient wheat to keep Britain supplied for three years. There was nothing new in this, except that it reminded many people of the extremely bearish situation that existed, and may have frightened some who are not altogether positive that artificial methods would continue to be effective,

While the visible supply in this country is decreasing slowly, inroads upon accumulations are not great. However, in Canada, even with lack of storage, the peak of the movement may not have been reached, and this past week visible stocks increased by about 11 million bu to the highest figure ever recorded.

Primary receipts today were a little larger, at 696,000 bu compared with 655,000 bu last week, and 530,000 bu last year. Kansas City and Minneapolis stocks for one day showed no change. It is not easy to sell cash wheat at particularly attractive prices. From Minneapolis we heard today that their spot market was slow and draggy, and that it was possible to make contract wheat and yet show a profit. All this may have had some influence, but at the base of it allthere is general indifference, as is indicated by the open interest of only 55 million bu. Those who believe that there is definitely a ceiling over the market and that loan wheat might come out of hiding on a bulge of 4 to 5¢, are perfectly willing to take a short position on the theory that finally statistics will assert themselves. At the last December wheatshowed a decline of 1 1/2¢ per bu, while the May future was down 1¢ per bu.

Trade in corn was rather light, and while a little more free corn is coming on the market, it is still a very artificial picture. However, there is no actual scarcity anywhere, and it just remains a question of how long the government can continue the piling up of stocks, thus withholding them from commercial channels.

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CHICAGO Oct. 30, 1940.

Price is a great regulator, and in the past whenever wheat had sunk to low levels, land was neglected, farmers became discouraged, fewer fertilizers were used, and thus production slumped, with the result that prices finally returned to normal without the use of artificial aids. For every action, there is a reaction, and the government now admits that the advance in prices since August will reduce the amount of wheat fed on farms by approximately 15 million bu. At the recent Grain Convention, some of the theorists boasted of the temporary ability to maintain wheat prices, although the secondary consequences were overlooked. This has been disastrous in the past with practically every commodity that was artificially manipulated.

On basis of a crop and carryover in this country of 1,076,000,000 bu, and deducting from this quantity 26 million bu for possible exports, we have 1,050 million bu for home requirements or next year's carryover. Taking the new government figure: namely, 685 million bu, that will be used in the United States for food consumption, seed, and feed, this would finally leave us with 365 million bu on July 1, 1940, compared with 284 million bu last season. This is one of the largest reserve stocks with which we have ever been faced at the end of a crop-year. On the last occasion when that happened, Nature came to the rescue, and following the Farm Board era, we had three years of drought, but the latter is rather the exception, and there have been only seven or eight major droughts in the last fifty years. So nobody is safe in counting on that factor.

Beginning next February, some of the earliest loans will mature, and until that time there should be no tightness or scarcity in cash wheat. Even assuming that only a small quantity of impounded wheat will be redeemed and that at the end of the season there might be as much as 200 million bu tied up, it would still leave 165 million bu of free wheat, or more than was available on many occasions.

The recent rains in the Southwest and in the Central States have been beneficial, and the forecast suggests light showers tonight or tomorrow for Kansas, Nebraska, and Oklahoma.

Meanwhile, there is not much grain news in other parts of the world. Recently a stabilization plan was adopted in Australia whereby the Commonwealth and State governments would acquire and take control of all wheat grown; furthermore, the federal government will be asked to pay a bounty to growers suffering adversity from seasonal conditions. Few people believe that Australia will harvest more than 100 million bu, but with a carryover of close to 50 million bu, the total will not be far out of line from normal. In the Argentine, weather has been generally favorable for growing crops, and few complaints are heard.

Milling business is poor, and in some sources it is blamed on the pending election. In any event, according to the Northwestern Miller, buyers held off, and spring wheat mills sold about 40% of capacity compared with 27% in 1939. Southwestern sales averaged 39% vs 122% the preceding week, and 18% last year. However, with hand-to-mouth buying, bakers are not booked far ahead.

Primary receipts were 519,000 bu versus 692,000 bu last week, and 621,000 last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 146,000 bu.

There was firmness in wheat at times, with strength in stocks, particularly Steel. However, corn, in which there had been a sleeping long interest, became very weak when a few selling orders came into the pit; and this was responsible for reactions in other cereals. Locals, who had been long December wheat against the deferred months, undid their spreads, and at the last the nearby delivery was 5/8¢ per bu lower, while May wheat declined 3/8¢ per bu. It is still felt that very sharp breaks would bring more wheat under the loan between now and the end of the year; thus, we stillhave a very artificial situation.

Oats were reasonably firm. There was never a movement to market. Also there is no loan, and the market is more normal than wheat or corn.

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CHICAGO Oct. 31, 1940.

Despite important European developments, news for the last few days has been scanty. Turkey cannot remain disinterested in developments in the eastern Mediterranean, but yet, there is no evidence of an immediate break. Bombing over Germany and over England continues, but apparently activity has become more moderate. In spite of the heavy shipping losses by Britain, she still has more tonnage than she had a year ago, even acknowledging an 8% devastation of her shipping resources. Continued air attacks have placed some supplies in jeopardy, where materials are already at various ports waiting to be unloaded, but distribution is taking place, and it is surprising how few rations have become necessary under these circumstances. The State seems to have a twofold duty to the community: one is to see that no one consumes more than he needs, and secondly, to guarantee just a bare sufficiency to everyone not only now, but in the future as well.

Apparently, this is the reason for the small imports of wheat into the U.K., and we find that total world shipments for the first twelve weeks of the crop-year have averaged less than 5 million bu a week, exclusive of Australia, although the latter country, in our opinion, is placing very little afloat owing to the poor crop prospects. If Broomhall's total import requirements of 440 million bu are to be met, it would mean that during the next forty weeks, world shipments would have to be practically double the average weekly shipments to date; this seems highly unlikely. We note that since August 1st, Canada has cleared only 28 million bu of wheat and flour. This is a smaller quantity than last year, and based on the recent figures of crop and carryover, there is still 713 million bu available for export, after ample allowance is made for domestic consumption.

In our own country, during seventeen weeks we have placed only 10 million bu of wheat and flour afloat, and it appears, with the blockade effective, that this will be one of our poorest export years. Therefore, accumulations are bound to take place on a large scale.

Regardless of these factors, and statistics to which very few analysts refer, there is still a somewhat bullish feeling in the trade, because of the large quantities of wheat that are impounded, and up to the present time, redemptions have been relatively unimportant. After an early break today, prices responded to a much better sentiment in New York, where the stock market was quite jubilant, and some issues rose as much as three points. Thus, we had reflected here better buying power, although volume of trade was still small compared with former years.

Flour business remains quiet; and the buying is mostly from hand to mouth, because the industries no doubt feel that with so much wheat in the country, there is a definite ceiling; consequently, runaway markets are most unlikely. One of our good friends in the milling industry has just written us that while temporarily bull speculators seem to be in the saddle, it is impossible for him to take a very constructive attitude while statistics are so bearish, and he rather figures that the final result will be a practical collapse of the present program. Keeping supplies from ordinary trade channels does, of course, have an influence for a time, but this is neither constructive nor does it settle the problem for the future.

Primary receipts were 567,000 bu versus 509,000 bu last week, and 434,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 265,000 bu.

With pressure light after recent liquidation, which carried prices down 4 to 5¢ from recent highs, the market reacted with December wheat closing 1 1/8¢ per bu higher, and a gain of 1¢ for the May.

Yesterday the selling side of corn had become rather popular, but there was no follow up, and with a higher wheat market there were fractional recoveries for the yellow cereal.

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CHICAGO Nov. 1, 1940.

Air raids continue over London, but have been less severe during recent nights than heretofore; and certainly, there is less newspaper notoriety on this subject. The chief effect of raids has not been death, but rather destruction of production through property loss and delays in working hours. Likewise, there has been a loss due to the transport hold-ups, which is difficult to measure. From the reports that we have at hand, no expense or ingenuity is being spared to give workers the most complete protection possible. Some of the large London firms are carrying their employes to and from work in their own emergency fleet of busses; others see to it that their workers are housed in nearby locations, or else have staggered their shifts and working hours to fit in with raid times. The R.A.F., meanwhile, is bombing Italian objectives far down the West coast, probably in revenge for Italy's cooperation with Germany in the bombing of Great Britain.

When our market opened this morning, there was very little to guide it. In peacetime, traders would have asked what the quotations at Liverpool had shown; likewise, any important changes at Winnipeg would have been quickly registered here. At present, there is no world price for wheat anywhere, with the possible exception of the Argentine. Canada has prices pegged, because supplies are so bountiful that she could take care of the Mother country for three years with her present surplus. High prices on the Continent of Europe would have little influence here because the blockade is effective and prevents our shipping supplies even to refugees without the consent of Britain. Under these circumstances, the normal market factors are worthless. About the only thing left for the trader is to guess at what point the "lid will blow off", which will bring surpluses back upon the free market. Whenever that time comes, we are afraid that bearish statistics will play their part, and inasmuch as the Bureau of Agricultural Economics suggests a carryover of 369 million bu at the end of the crop season, the outlook is not for a high price level.

The private experts came out with their reports today, but there was nothing very significant as far as wheat was concerned. The acreage of winter wheat will probably be close to 45 million acres, and initial condition is rated at about 84% of normal, as compared with 62% a year ago. Therefore, present conditions are close to average. Despite this, we shall probably not raise a much larger crop than was harvested last year, because at that time, there was a tremendous recovery --in fact, almost phenomenal, and at this season of the year one can only figure on the normal.

There were overnight rains in the Central States, and moisture at this time of year is extremely important. The one State still deficient, is Texas, and the crop condition there is described as poor. However, much can happen between now and Christmas, and we are less fearful of that State than any of the others, because of its southern location.

Primary receipts today were 615,000 bu versus 611,000 bu last week, and 493,000 bu last year. Kansas City, Duluth and Minneapolis stocks so far this week show a total decrease of 801,000 bu. Therefore, we are apt to have a fair-sized decrease in the visible supply on Monday; it will compare with a shrinkage last year of 1,555,000 bu a year ago.

At times there was moderate liquidation, despite strength in stocks, but the selling was not large enough to be a permanent factor, and with some recovery before the close, net changes were unimportant. December wheat closed 1/4¢ per bu lower, and the May future was unchanged.

Corn was fairly firm; there was presumably selling by a professional speculator, but offerings were absorbed; the cash basis was slightly easier, but as yet no accumulations are taking place. We believe that some of the receipts still represent government holdings.

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DAILY MARKET LETTER

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~~MERCHANTS EXCHANGE OF ST. LOUIS~~

CHICAGO Nov. 4, 1940.

Ordinarily, at this time of year, all eyes are focused upon Southern Hemisphere crops, and the outcome is awaited eagerly. It is quite different now with the tremendous reserve supplies everywhere in the world and Continental Europe unable to buy grain; therefore, with only one large importer: namely, Great Britain, it is rather to be hoped that crops in Australia and Argentine will not yield too well. Conditions in the Argentine are fairly favorable, and indicate a crop of approximately 200 million bu, which is somewhat below normal. Last year, they raised only 141 million bu, but, of course, that was an exceptional year; consequently, the comparison is unimportant. Australia will probably not raise much over 100 million bu compared with a bumper crop last season, when the harvest yielded 210 million bu.

The trade, however, accepts these figures with the greatest indifference, and it is, therefore, apparent that the impounded supplies in the United States are being much more carefully watched. This is only natural in a year when we are exporting so little, and when practically only domestic news comes to the foreground. The tying up of wheat continues, and most of the increase during the past week was in North Dakota and Montana. We now find that the four large Northwestern States: viz, North Dakota, Montana, South Dakota and Minnesota, which had a combined production of 219 million bu, have 79 million bu of wheat frozen under the government loan. In the Southwest, where, of course, crops were harvested earlier, Kansas, Oklahoma, Texas, and Nebraska raised 211 million bu of wheat, or slightly less than the four Northwest States just cited. However, in those winter wheat areas, there is 98 million bu of wheat impounded; thus, one might conclude that with just as many compliance farmers in the Northwest, we have not yet seen the high point of accumulations under the federal program. While there is already 236 million bu frozen, further increases might continue unless prices should advance to a level where farmers would reverse their position. This being the case, markets do not yield much ground, and likewise, new pressure is light, and may remain so until producers get into more of a selling mood.

There was very little news from Europe, and trade on the whole was just moderate, but shortly before the close there was considerable short covering by locals prior to election. As a matter of fact, those who inquired about weather were more interested from the political angle than because of the possible effect upon crop prospects. Generally speaking, recent showers have been beneficial for winter wheat over considerable portions of the belt. There is still a deficiency in some of the Central States and in Texas, but Kansas, Nebraska, and Colorado have received about normal rainfall sincethe 1st of August. Therefore, it is quite a different story from what we had in 1939.

The AAA reported today that its expenditures, including benefit payments to farmers for cooperating with crop-control programs, total $149 million during the July to September quarter. It is quite apparent that even since Mr. Wallace's resignation as Secretary of Agriculture, there has been no change in the general plans earlier adopted.

When the visible supply was posted it showed a decrease of 1,196,000 bu; total stocks in the country are 165 million bu, or approximately 30 million bu more than was on hand a year ago. Chicago showed a big shrinkage of 439,000 bu. There is now 13,176,000 bu at this point. Today's primary movement was very light --smaller than both last week and last year. Aside from purchases apparently to even commitments, we saw nothing much of interest. The December wheat, which was the strongest, closed 1 1/2¢ per bu higher, while the May future advanced 1 1/8¢ per bu.

Corn, as well as the other cereals, was helped by the better response in wheat. There is a large visible in corn now, but much of this represents government holdings. The situation surrounding this cereal remains extremely artificial.

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CHICAGO Nov. 6, 1940.

Yesterday's election is indicative of the general acceptance of the administration's policies. America will continue to work for unity, which is necessary at a time when the entire world is in an upheaval. Despite the reaction in many agricultural states against the farm program, we feel rather certain that there will be no immediate change in the underlying tendencies.

This being the case, when our market opened this morning, values were quite firm, and the trade has in mind that about one-quarter of the wheat that was raised last season is impounded, and the farmer has not yet shown any desire to liquidate his federal indebtedness on any large scale. Thus, we are still confronted with more or less of an artificial situation, pending the time the frozen wheat is put back into the ordinary trade channels.

While our market was closed, little was happening in foreign countries. Prices at Winnipeg were static, but they have a steady market as long as the minimum peg prevails, and there seems to be little chance of any change, because with the tremendous surplus, it is recognized that the foreign outlets are very much limited and Great Britain cannot consume reserve stocks in less than two or three years.

From Europe came radio advices that, while we were counting ballots, London was counting bombs, and apparently they had one of the worst nights since the aerial attacks started. The Greek situation is about the same as it was, but they have begun several offensives, and reported capturing thousands of Italians.

The flour business this morning was said to be somewhat improved, and there was evidence that hedges were taken out of the pit. According to the Northwestern Miller's weekly review, previous business had been dull, with spring wheat sales averaging 38% of capacity, while in the Southwest, they dropped to 25%, which shows great indifference on part of consumers. Very likely purchases had been confined to just immediate needs, pending the outcome of the national election, but on the other hand, there is no good reason for laying in large supplies with the knowledge that on sharp advances, impounded holdings may become available.

Not much is heard fromSouthern Hemisphere. We doubt whether Australian results will vary to any degree from previous estimates, but in the Argentine, recent weather has been favorable, and the crop appears to be from 200 to 220 million bu, which, if realized, would be slightly less than normal. The latter country faces a grave problem in selling her surplus this coming year. Naturally Great Britain prefers to help Canada and Australia, the soldiers of these countries fighting side by side with her in this great struggle. However, Argentina still hopes that she may be able to dispose of 50 million bu of wheat to England as a result of her government credit, and thus, her position would be somewhat relieved.

Primary receipts were 508,000 bu versus 519,000 bu last week and 397,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 15,000 bu.

With trade rather indifferent, after early firmness realizing orders came into the market, and with outside support being insufficient there were final declines of 1 3/8¢ per bu for the December delivery, while the May broke 1 1/2¢ per bu. July was the weakest of all. The fact that some of the leading securities were lower may have induced locals to sell.

Corn was weaker in sympathy with the leading cereal, but December was relatively firm, with 1/2 million bu having been sold from this market, while bookings were next to nothing.

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MERCHANTS EXCHANGE OF ST. LOUIS

CHICAGO Nov. 7, 1940.

Australia is faced with one of the poorest crop prospects in recent years. The latest estimate is for a yield of 91 million bu, but since they will have a very large carryover of 65 million bu, and home consumption of only 55 million, it appears as though the exportable surplus would amount to approximately 100 million bu, which is certainly ample for prospective markets, considering the long haul to Great Britain and the inability to get supplies to Continental European countries. Assuming, with certain vicissitudes ahead, that Argentine results will only be about 200 million bu, it is still a large quantity, taking into account the poor export outlet. It is true that Great Britain has agreed to buy $160 million worth of Argentine produce, and it is expected that grain will be included in this purchase, which, if borne out, would relieve Argentina of part of her prospective 100 million bu wheat surplus. In any event, minor deficiencies in the Southern Hemisphere relating to yields are not apt to change world statistics from recent calculations.

In our own country, we have a very clear picture of conditions as of October 1st. With the publication of wheat and flour stocks held by merchant mills, we are now able to furnish the following tabulation:

	Oct. 1, 1940			Oct 1, 1939.		
Supplies on Farms	359.7	million	bu	338.6	million	bu.
Commercial Visible	186.5	"	"	161.9	"	"
Country Mill & Elevator Stocks	188.6	"	"	155.9	"	"
Merchant Mills	133.3	"	"	137.3	"	"
Total - -	868.1	"	"	793.7	"	"

We know that crop and carryover supplies were 1,076 million bu in 1940, compared with 1,009 million bu in 1939. In each case, we deducted the exports for the three-month period, which were 8 million bu this year vs. 18 million bu last year; and with the further deduction for all stocks on hand in both periods, we conclude that the domestic disappearance from July 1st through the end of September was 200 million bu in 1940 against 198 million bu last season. In other words, the government is probably correct in assuming that domestic disappearance will amount to 685 million bu for the current season, compared with 680 million bu the previous season. All this would indicate that carryover supplies on July 1, 1941, would be very large. We figure that on basis of the consumption figure just cited, there is at the present time 380 million bu available for export and carryover. Eighteen weeks of the crop season is passed, and it is not very likely that we shall export much over 20 million bu for the entire year; therefore, if a normal crop is harvested next season, the farm problem is apt to give grave concern to those trying to outline the future.

Shortly after our market opened, Secretary of the Treasury Morgenthau stated at his press conference that an increase of about $15 to $20 billion would be sought in the national debt limit in order to provide for armament expenditures. In almost the same breath, he added that he did not fear inflation but that he did believe price movements would have to be watched every single minute. Stock market turned very strong, and with the assurance that the Treasury had no idea of using inflationay controls themselves, there was a much better buying poer in the wheat pit, with very little resistance.

Primary receipts were 606,000 bu compared with 567,000 bu last week, and 532,000 bu last year. Stocks at Kansas City and Minneapolis show a total decrease so far this week of 81,000 bu.

With the combination of heavy impoundings and inflationary talk, our market made the sharpest gains in several weeks, but with outside markets not following fully there was some reaction. December wheat at the last showed an advance of 3 1/8¢ per bu, while the May future went up 3 1/2¢ per bu.

Corn was also quite stout, as were other cereals. Sales of corn out of Chicago were on a smaller scale, but the situation surrounding this market is still largely artificial. The movement from the country is small in comparison with other years due to a holding tendency on part of farmers. Undoubtedly large quantities will be tied up again.

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CHICAGO Nov. 8, 1940.

After our market closed yesterday, securities in New York continued their upward climb, and this created a very bullish carryover feeling, with the result that wheat values staged a further advance in today's early trade; this was reflected in other grains also. The milling demand, which for weeks had been extremely dull, also showed a revival, and it is to be presumed that those who had been awaiting new incentives suddenly became conscious of inflation tendencies; therefore, considerable hedges were taken out of the pit with the improvement in milling interest.

During the past month, large quantities of wheat have continued to go into the loan holdings, and very likely there will be a further increase again tomorrow, particularly in the Northwest, where the present price is relatively higher than in any other part of the country. At the close tonight Minneapolis December wheat is 86 1/4¢, and the loan price there is 87¢ a bushel; consequently, the situation could become tighter in the spring wheat areas than elsewhere, unless there is a very sharp advance so that redemptions may take place. We heard this morning from our northwest representative that storage wheat was coming out a little more freely, and one operator who has Montana elevator line houses claimed that the quantities were very small, In our opinion, nobody can be sure whether this represents loan wheat, or whether it is wheat stored without a loan, but we would guess that it would be the latter, owing to the circumstances just cited.

As near as one can judge, the carryover of old wheat next July will be close to 350 million bu. This would be considerably more than the average for the past ten years, and exceeds that figure by about 120 million bu. The record peak was established in 1933, when reserve supplies reached 360 million bu. However, there followed a period of drought for three or four seasons, and by 1937, the carryover supply had been reduced to 83 million bu, which was the lowest since 1919. We are going on the assumption that the government estimate for domestic disappearance of 685 million bu is about correct. During the past ten years it averaged 695 million bu, although in one year it was astondingly high at 755 million bu. This occurred in 1931, when prices were very low, and when it paid farmers better to feed their wheat in many sections instead of importing corn by paying high freight rates. When looking into the future, one must surround himself with many "ifs" and "ands." However, to expect a repetition of the drought period, such as we had seven years ago, seems highly unlikely, at least for several seasons in a row; and with our chances for exporting wheat worse now than in the last decade, we can see nothing but the continuation of accumulations as long as we raise more wheat than can be domestically consumed.

It is quite true that wheat prices in the United States from the spring of 1933 to the spring of 1937 were unusually high in relation to world prices, but again we call attention to the fact that this was the result of small crops at home. During the same period, prices in other countries moved upward, and there was some improvement in world statistics. However, the exporting nations at the present time are glutted with wheat, particularly Canada; Continental Europe, though meagerly supplied, is unable to make imports as long as the blockade remains effective. Therefore, we are still confronted with great uncertainties that are not predictable at this writing.

Even granting that inflation will become a reality, having been feared now for the last four or five years since the heavy spendings started, one must always bear in mind that all commodities are not affected in the same proportion, particularly those which are over-produced, and the best example of this was coffee during the last World War, when the price failed to rise much, although practically all other articles advanced. For the time being farmers are holding on rather tenaciously, and therefore, not much weakness is in sight until redemptions take place on a large scale.

There was very little in statistics. When the visible supply is posted next Tuesday it will compare with a decrease last year of 1,736,000 bu. Removal of hedges against milling business was the main feature, final prices closing 1/2¢ per bu higher.

Corn and other cereals were strong in sympathy.

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CHICAGO Nov. 12, 1940.

All active markets were closed yesterday, commemorating Armistice Day, which terminated the World War twenty-two years ago. During the holiday period, winter weather set in upon us, with most temperatures now 20 to 25 degrees below normal for the season of the year.

There was considerable moisture, particularly in the Central States, preceding the cold spell. Some improvement has taken place in the condition of winter wheat during the first week or ten days of November, and good rains have benefited crops in the dry soft winter wheat areas of Ohio, Indiana, and Illinois. Light showers are claimed helpful in Missouri, while good rains promoted growth in the eastern third of Kansas, parts of Oklahoma, and the eastern half of Texas. The outlook for wheat continues favorable, according to the government resume, in the Pacific Northwest, and soil moisture is reported adequate in Montana.

It can thus be seen that we have an entirely different situation from a year ago, when we were in the throes of a great drought, and when finally in December the winter wheat condition was placed at 55% of normal, or the lowest on record. There are, of course, periods when Nature is extremely provident and overcomes some of the first handicaps of a crop. Despite the fact that winter wheat a year ago had gotten off to a very poor start, we finally had a total wheat production in this country of 792 million bu, which figure will probably be raised when the revisions are made in December. Even assuming that no change will occur, this year's crop showed a 5% increase over the 1939 production, and the yield was also 5% above the ten-year (1929-38) average production of 754 million bu.

We get letters almost daily from various parts of the country asking if prices are not high enough, owing to the fact that the July 1st carryover was placed at 284 million bu, making total supplies at the beginning of the crop-season 1,076 million bu. The only answer we can give is that domestic wheat prices are reflecting, temporarily, the government loan program, which has reduced the supply of free wheat, and this continues to dominate the market situation. Since the middle of last August, prices in this country have shown more or less firmness, the December delivery advancing about 20¢ a bu from the low point. The marketing problem, however, has not been solved, and we expect that reserve supplies, which have been increasing right along, will continue doing so, particularly since there is no foreign outlet of sufficient size to give us real relief. Therefore, temporary advantages, which have accrued to the farmer, will be followed by secondary consequences whenever realities are met. A few days ago, the CCC reported a total of 243 million bu of wheat impounded. The increases over the previous week were again largely in the four important Northwest States, with the result that North Dakota, South Dakota, Montana and Minnesota have a total of over 85 million bu wheat tied up, with about six weeks to go until the end of the year, when this particular program terminates for the season. The four important Southwest States: namely, Kansas, Oklahoma, Texas, and Nebraska have close to 99 million bu of wheat frozen, but this quantity has hardly gone up during the past few weeks.

The primary movement with some points missing due to blizzards was extremely light --only 251,000 bu; there was a holiday last week, and a year ago primaries were 624,000 bu. The visible supply showed a decrease of 1,335,000 bu. Total stocks in all positions are 30,647,000 bu greater than a year ago. In Chicago there was a shrinkage of local supplies of 143,000 bu, leaving 13 million bu still here.

With some weakness in the stock market, and less inflation talk prices eased off, despite the fact that there was little new pressure. December wheat closed 3/4¢ per bu lower, while the May declined 5/8¢.

Corn was firm, shippingsales from this market are heavy, and bookings are light. The visible increased 1 1/2 million bu, but the situation is highly artificial. It appears as though tremendous quantities would be sealed under the government program this coming season.

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DAILY MARKET LETTER

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CHICAGO Nov. 13, 1940.

Winter weather came much earlier this season than usual. The severe cold will probably remain with us for another twenty-four hours, and zero temperatures are reported as far South as Kansas and Iowa. Far below zero weather has gripped all Northern sections. There is some snow covering in the Southwest, but, generally speaking, moisture preceded the drop in thermometer readings, and it is not considered likely that any important damage to winter wheat has taken place. In the Northwest, many stations reported rain last Saturday; later, there were heavy snows in many sections, so the moisture must be pretty general in that part of the country. We also find that in Canada fall moisture was better than average in Saskatchewan and Alberta, and just slightly below normal in Manitoba. Therefore, the situation is quite satisfactory for the season of the year.

Rather indirectly, we learn that seeding of the new autumn bread-grain crops in Western Europe has been favored with much better weather than a year ago, but there is growing evidence that farmers in many countries under German domination are reluctant to obey Nazi orders to increase their acreages. Much has been said earlier about hardships that were likely to befall Europe this winter, owing to poor crops last summer and the inability to obtain imports due to the blockade.

Ordinarily, we depend pretty much upon Broomhall for our information on European statistics, but this authority himself states that, because of the war and his location in Britain, he is not able to operate with the usual efficiency, and rather suggests that the United States Department of Agriculture is for the time being the best authority to estimate last year's Europeanharvest, since it has maintained contacts in most countries. With this suggestion appearing plausible, we look at United States government figures computing the total European crop this year to find a crop of 1,376 million bu compared with 1,712 million bu last year, or a reduction of 20%. This is bound to be serious, particularly in those countries that formerly received supplies from overseas. The French crop is said by one authority to be the smallest for the last forty years, but since people have to eat, the next question is, Where will the various deficiency countries, such as Bohemia and Moravia, obtain grain during the winter months? According to Broomhall, there is the possibility that Russia may come into the picture. The U. S. S. R. has a surplus of grain for export, although following the poor crops of 1938 and 1939, the Moscow government is somewhat concerned in rebuilding its reserves as rapidly as possible. However, with the very genuine need for supplies in Holland, Belgium, Greece, and even Switzerland, it may be that Russia will play an important part in the provisioning of these countries, at least to some extent. In addition to a fairly good harvest in Russia, there were also plentiful yields in the recently acquired territories of Bessarabia and Buckovina.

Statistics were somewhat incomplete because of the storm in the Northwest. Without Duluth, the primary movement was 403,000 bu compared with 508,000 bu last week, and 440,000 bu last year. Kansas City stocks for two days showed a decline of 11,000 bu.

At times the market was easy, but there is very little new pressure, with farmers showing little inclination to sell, although in some localities they could pay off their government indebtedness, and still have a small profit. At the last December wheat was unchanged, and the May delivery advanced 1/2¢ per bu.

Corn was quite firm, considering an improvement of about 80 million bu during the month, according to the latest government report. With an indicated crop of 2,433 million bu, and a carryover of 680 million bu, total supplies are 3,113 million bu compared with 3,191 million bu last year. Also the condition of pastures is 3% above average, so there should be no scarcity of feedstuffs, but the situation is so artificial, and growers are expecting a 61¢ loan price; therefore, they prefer government aid rather than marketing their crop as they used to do in the past.

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DAILY MARKET LETTER

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CHICAGO Nov. 14, 1940.

It has always been claimed, and rightly so, that the farmer loved his land and wanted to cultivate it. Figures show the correctness of this statement, since farm output during the last four years has averaged more than 105% of the 1924-29 level, and the largest volume was attained during the last four years than in any period on record. It is somewhat surprising that, with the vast sums spent by the Agricultural Department, this has been the case, but apparently producers being regulated in certain lines have gone into "unregulated" lines of agriculture, the latter having risen to new peaks. It is also true that where the farmer was paid bounties to cut his production, he did plant less, and while the acreage of corn harvested this year was 10% below the ten-year average, the yield per acre was nearly 12% above the former level. Similarly, wheat acreage having been cut 7%, still with the use of better fertilizer and more intensive cultivation, the yield per acre was up 13%. In cotton, acreage reduction was even greater at 25%, yet the yield of 250 pounds per acre represented a new record of 25% over the previous ten-year average. Various government controls in addition to acreage reductions have failed to bring about any significant declines in the output of the major "regulated" crops. However, in oats, barley, tobacco, soybeans, and other crops, yield increases are registered anywhere from 10 to 25% or more, compared with previous averages.

During the World War, the Department of Agriculture was spending comparatively little money. In 1917, for instance, expenditures were only $29 million; the Department gradually grew, and increased funds were necessary. By 1931, under Secretary Hyde, $296 million were expended, and this was considered a very large amount, being ten times as great as in 1917. However, with the far-reaching and costly governmental measures aiming at price support, billions are needed now, particularly with various commodity loans being made available to farmers; and since the loan rates have in most cases been higher than the prevailing market price, substantial portions of our present surpluses have become impounded. In addition to the above, we have had marketing quotas, direct purchases of surpluses, export subsidies, food stamp plans, and numerous other governmental measures, apparently in the hope that our agricultural resources would bring about greater prosperity to the country as a whole. However, a healthy situation in the final analysis requires even broader vision, because of maladjustments, due to excessive carryovers, and the proper utilization of our farm wealth, is an urgent objective for the future.

When our market opened this morning, there was some mill buying, but probably more important was the bullish carryover feeling from yesterday, many calling attention to the fact that even the recent price advances had failed to bring out frozen supplies from the farms. Others pointed to the great strength in oats and soybeans, with receipts at terminals very light and the farmer holding onto his his supplies; therefore, it was almost a foregone conclusion that we might have higher prices. There are, of course, still the same inherent dangers so long as consumption is smaller than production. We are very fearful that much more will be heard of this whenever the re-awakening occurs.

There are a few brave leaders who are bold enough to face realities now. At Ottawa yesterday, the Co-operative Commonwealth leader told the House of Commons that agricultural problems endangered the entire Canadian economy, and he recommended establishment of a commission for the industry, with a full time Minister of Agriculture. He said a serious financial loss was caused by a restriction of delivery, lack of proper storage, and lost markets. His conclusion was that Canada next year might have a reserve supply of more than 500 million bu, or nearly 50 million bu more than all elevator and storage capacity in that country.

(OVER)

Primary receipts were small at 258,000 bu versus 606,000 bu last week, and 447,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 119,000 bu.

With a rather bullish sentiment, and also higher stock pric the line of least resistance was on the constructive side of the market. The foreign news also is more hopeful, with a great naval victory yesterday for Britain. The Greeks are also handling themselves bravely in their warfare against Italy; and the combination o these factors gave us considerable firmness, with May wheat finally closing 1 5/8¢ per bu higher, which was a new high on the crop. July wheat, likewise, made a record for the season. We note, however, that the open interest is still down to the extremely low level of 55 million bu; this is indicative of very small trading, but it could hardly be otherwise, as there are so few hedges in the market compared with normal, and the chances are that next Saturday when the loan figure is revealed, it will show another good increase over the 243 million bu figure recently announced.

Corn was strong, new highs were established, and while sales from Chicago were more moderate bookings are still disappointing.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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FORT WORTH GRAIN AND COTTON EX.

CHICAGO November 15, 1940

The Chicago Board of Trade, like all the other important grain exchanges, is a corporation. It was incorporated under a special act of the Illinois Legislature, passed February 18, 1859. The objects of the Board of Trade are set forth in its rules as follows:

(1) To maintain a commercial exchange.
(2) To promote uniformity in the customs and usages of merchants.
(3) To inculcate principles of justice and equity in trade.
(4) To facilitate the speedy adjustment of business disputes.
(5) To acquire and to disseminate valuable commercial and economic information.
(6) To secure to its members the benefits of co-operation in the furtherance of their legitimate pursuits.

The Board of Trade, as a corporation, does no trading. It provides a building. In short, it merely (1) furnishes a place to trade; (2) formulates rules of trading; (3) collects market information. The members acting as individuals trade among themselves and as agents for many thousands of outsiders.

We believe it is proper to review at this time the functions which this great institution serves. So often, commercial exchanges are accused of regulating prices. This is obviously incorrect. When the government last year artificially created a scarcity in wheat by giving the farmer a loan, which was higher than the market price at that time, there was 170 million bu impounded, and the government permitted the producer to speculate with its funds, so that the price gradually advanced to over the dollar-mark. The result was that when the grain went back into commercial channels, prices broke about 40¢ per bu.

We have a somewhat similar situation fostered by the government again this season. Assuming that a loan was necessary when the price of wheat at Chicago was below 70¢, and granting that the freezing of supplies on a larger scale than ever before helped to advance the market, one should not lose sight of the fact that the government in extending a demand loan to the producer has the right to call these loans for payment when it sees fit. In our opinion, they should exercise this right on a part of the grain, rather than to give the farmer a chance to speculate needlessly with federal funds. To arbitrarily do nothing, we believe, will bring about great chaos finally, if all the grain that has been frozen is offered on the market at one time. It might create another Farm Board era, where the government would gain title to millions of bushels of wheat; history has proved the unhealthiness of such a situation.

As usual, the Board of Trade will be blamed for the results of sharp price declines, but, as we have tried to point out, it takes no part in actual trading, as any open-minded person will recognize if he looks at the picture for a disinterested treatment of the subject. Those, who make up their minds ahead of time that the exchanges are at fault when sharp fluctuations take place, will probably take issue with us on these facts. However, any real student must admit that central grain markets had reached an importance in the distribution of food and supplies never before attained.

Primary receipts were 451,000 bu versus 525,000 bu last week, and 481,000 bu last year. Kansas City, Duluth and Minneapolis stocks so far this week show a total decrease of 1,368,000 bu. There is apt to be a moderate decrease in the visible supply on Monday, which will compare with last year's shrinkage of 2,986,000 bu.

At times there was marked firmness. Some called attention to good news from Europe, particularly the loss of Italian military prestige in the Balkans, Turkey, and in Egypt, which is bound to be severe. Later on there was a report that American Press correspondents had been barred fromSpain, which, if true, might mean that Spain is aligning herself up with the Axis powers. With one or two reports that a little wheat in the Southwest was being redeemed from the loan, liquidation set in, and final prices were 7/8¢ per bu lower for the December, while May wheat declined 1 1/8¢ per bu; July was comparatively strong, and itmight finally sell at a premium over May if enough wheat comes back on the free market.

Corn was firm, locals were the best buyers.

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CHICAGO Nov. 18, 1940.

For the first time since Italy entered the war, Premier Mussolini made a speech this morning, declaring that hostilities must continue until England is annihilated. It is rather fortunate that he has a strong ally, because without Germany he would probably not last very long, with his country having considerable difficulty even fighting a small nation like Greece. Over the week-end, hard-pressed Italian troops were reported falling back to a new defense line twenty-five miles inside the Albanian frontier. It was claimed that a motorized column of 130 tanks had been cut off on a mountain road, and all along the border battlefront a desperate defense was being attempted, with Greek mountain troops apparently well in command of the situation.

When our market opened, there was very little to guide it. Export business from North America, as such, is hardly mentioned in daily comment, and one has to look rather carefully through the statistics to actually find out what has taken place since the crop-season started some months ago. We find that from July 1st, the United States, for a period of nineteen weeks, has shipped less than 12 1/2 million bu of wheat and flour, even with a subsidy to certain countries. This means that if domestic consumption is to be in the neighborhood of 685 million bu, there is at the present time 379 million bu of wheat available for export and carryover. In these circumstance, it is a foregone conclusion that we shall have heavy reserve stocks on July 1, 1941. The question, of course, remains, How much of this will be impounded? Nobody can make a sane guess at this time, because too much depends upon the psychology of the farmers, and what the intermediate price trend will be in order to attract selling from producers.

In Canada, less than 35 million bu of wheat and flour have been shipped since August 1st, which quantity is 7 million bu smaller than last year. This is not a particularly good showing, when it is considered that reserve supplies in the Argentine are next to nothing; also, that the hazards of shipping from Australia have made recent business from that country very small. Nevertheless, there is 265 million bu more wheat on hand in Canada today than there was at the same time in 1939. Therefore, our Northern neighbor will also be faced with a great problem, particularly from point of view of storage, when another crop is harvested next summer.

It is somewhat difficult to figure out world shipments on basis of pre-war calculations. Since August 1st, ex-European countries have taken 4 million bu less, while shipments to Europe have been 45 million bu smaller. However, not included in this data is the amount of wheat placed afloat by Australia, where almost complete censorship prevails. In any case, we know that for the past fourteen weeks, world shipments have averaged less than 5 million bu weekly, and we doubt whether Australia has shipped much; therefore, total European consumption from overseas will be small so long as the war lasts. Even with the small Australian crop in prospect , there is a government scheme whereby farmers will receive a certain guaranty. It is based on an annual crop not to exceed 140 million bu. Growers must undertake to plant no more than certain limits, and they will then market their wheat through governmental agencies and cut for hay any acreage that may be directed by the government. Whether this is merely a wartime measure, or whether it means permanent regimentation of farmers, as is taking place in so many other countries, one cannot tell at this time.

Primary receipts were 378,000 bu; a week ago there was a holiday, and last year they amounted to 497,000 bu. When the visible supply was posted it showed a decrease of 1,604,000 bu; total stocks are now 162 million bu, which is 32 million bu more than was on hand in 1939. At Chicago there was a shrinkage of 389,000 bu.

The market, after starting out rather firm, lost ground, with only moderate selling orders coming into the pit. There is as yet no important wheat for redemption, but with the open interest so small there seems to be hesitancy on bulges. Last prices were about 3/4¢ per bu lower.

Corn also yielded slightly; a visible increase of 1 1/2 million bu was ignored. This cereal remains highly artificial. The loan price which many had thought would be announced on November 15th has not yet definitely been established, although most traders are figuring that the news will soon be out.

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CHICAGO Nov. 19, 1940.

The government has embarked upon a loan program for various commodities on a more extensive scale than anything which history has thus far recorded. The monthly condensed balance sheet, covering about 17 items, is 21 inches long and gives considerable data, although one column includes repayments, acquisitions, and adjustments, so that apparently through a journal entry, the books are always brought into balance over a period of years, with adjustments probably taking care of losses that would otherwise be sustained. From another supplementary sheet we note that wheat loans have been made in 31 states to 396,981 farmers. To November 12th, these loans have covered slightly over 250 million bu of wheat, which means that on an average each loan has been on 631 bu of wheat. At this time, cash wheat in Chicago is selling at about 90¢ a bu. The government could, of course, call loans and thus get at least a part of the grain back into circulation to avoid distortions, but at the present time, it has apparently not seen fit to do so. There have been complaints by millers in some sections of the country that an artificial local scarcity exists, and this is not surprising because tying up 250 million bu of wheat is almost a corner, and represents practically as much wheat as was owned by the Federal government during the Farm Board era.

On the basis of 631 bu per loan, if the price of wheat would advance 10¢ per bu, which would mean about $1.00 for cash wheat in Chicago, each producer who has an outstanding loan would benefit to the extent of $63.00. We ask ourselves the question whether it is worth while to take the chance, with so little benefit to each farmer, of risking the secondary consequences which result from such artificial action. We have seen how last year the price of wheat declined 40¢ a bu after redemptions took place. We know that many of the smaller mills are terrifically handicapped, being in sections where cash wheat is tight and where they are unable to make purchases in their local community; thus, the flour business is done by the larger mills that have many scattered branches throughout the country. We also recognize that the futures end of the business has been severely crippled by lack of hedges that come into the market. The railroads and steamship lines have also suffered because grain is not moving into commercial channels. The government itself has admitted that holding up prices artificially means smaller consumption, possibly by 15 million bu. In other words, for the very small benefits accruing to each farmer, general business is being given very little consideration in this country, and this is to be regretted, because if we are to have general prosperity, business can not be forever overlooked.

There was very little in the overnight news, except that some moisture had been reported in the Texas Panhandle, and the forecast suggests that precipitation might spread to other districts. This is very good coming during the fall months, getting the crop off to a good start. First prices were somewhat lower, possibly the break in soybeans had something to do with it, also the posting of the Canadian visible supply, showing 453 million bu compared with 356 million bu last year, brought to the attention of the trade that North American supplies were so enormous that some day readjustments would probably occur regardless of governmental intervention.

The primary movement was relatively small -- 350,000 bu versus 251,000 last week, and 407,000 last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 207,000 bu.

Trade on the whole was small, probably much the same as yesterday; therefore, both buying and selling orders had more than the usual influence. When the stock market recovered, wheat prices firmed, and at the last there was an advance of 1/4¢ per bu for the December future, while the May advanced 1/8¢ per bu.

Corn also jogged along without much trend. The trade is at a loss to understand why the loan price was not announced on November 15th; some seem to think that there is a difference of opinion between officials as to what further steps should be taken.

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CHICAGO November 20, 1940.

After some delay the Department of Agriculture announced a corn loan of 61¢ per bu. This compares with last year's basic rate of 57¢ a bu. At first glance there are a number of advantages to the farmer which were not previously enjoyed. First of all, he has ten months in which to make up his mind whether or not he wants to avail himself of the loan; furthermore, he is to have three years to make repayment. This, of course, seems like a very broad coverage. Should the corn be held back, there would never be a commercial movement, and therefore, prices might have to advance to a level which would either bring the corn out of hiding, or else we might rise to a point to permit Argentine imports. However, there is one factor somewhat concealed; namely, the matter of storing the corn for a possible three-year period. In the past whenever the government wanted loans continued from one crop to the next, they saw to it that the farmer was reimbursed for carrying the grain in cribs, but at the present time no such provision has been made, and now the producer must give assurance that suitable storage on farms will be provided. It remains to be seen, without special reimbursement, whether the farmer will fall in line with this program. The Acting Secretary of Agriculture seems to be fully mindful that the piling up of surpluses year after year may cause a complete break-down of the whole mechanism. In a speech yesterday before cotton farmers made at Little Rock, Ark., he covered some of the cotton problems in the program. In his address, he stated that if world markets continued to absorb only a couple of million bales of our cotton instead of 6 million bales that supplies were bound to pile up. Somewhat apprehensive over the prospect that there might be more than 14 million bales in the carryover next year, of which 12 million would be under government loan, or would be owned by the government he has apparently sized up the situation correctly. We presume that he must feel the same way about wheat and corn, particularly when export markets are almost negligible. Economists have felt that withholding of commercial supplies from domestic or export markets was bound to have secondary consequences, and recognition of this factor, in the light of recent experience, has apparently strengthened the belief that it could not be otherwise.

With a good many uncertainties, speculation, which has been at low ebb, was given another shock. Some believe that the piling up of surpluses in various lines might cause a break-down or a complete change in agricultural policies. This, together with some adverse war news, and a lower stock market, gave us considerable liquidation in the various pits. Soybeans, which had been the favorite for many sessions and had advanced well above the dollar mark, largely because of the holding tendency on part of farmers, were liquidated today, with demand entirely inadequate. December beans declined 8¢ per bu, the full permissible limit, and the great weakness here spread to other pits, causing sympathetic breaks. We talked with a grain dealer this morning from Buenos Aires, and he was unable to offer any solution to the huge corn crop in his country, because chances for export were so poor.

On the whole, there is nothing very bullish from a statistical point of view. During the week there was a little improvement in milling demand, Southwest sales averaging 44% of capacity, which was double of last year. In the spring wheat areas, millers claimed their business was 37% of capacity, or one point above the percentage figure of a year ago, but this had been a drop from the unusually high figure of 160% two weeks ago.

Weather on the whole was very favorable, good rains were reported in the Southwest; these came apparently at an opportune time. Therefore, the situation is entirely different from last year when we had a drought.

Primaries were a little larger, at 500,000 bu versus 403,000 bu last week, and 410,000 last year. With some recovery both December and May wheat closed 1 7/8¢ per bu lower.

Corn was under liquidating pressure, with losses of about 1 7/8¢ per bu. Sales from Chicago were heavy.

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CHICAGO Nov. 22, 1940.

The American people in celebrating Thanksgiving Day yesterday enjoyed a sense of pride in their freedom, fully mindful of the international scene, and were out of sympathy with the Nazi-Fascist idea of dictatorship. Therefore, they had more reason than ever to count their own blessings.

There was considerable moisture over the holiday. Rains were general, but particularly beneficial in Kansas and Missouri, with a prospect that further rains might be expected during the next 24 hours. There seems to be no change in the general wheat situation, except prospects for the winter wheat crop are so much better than last year that many are afraid possibly the best news is out now and that any change which might occur would be by way of deterioration.

Ordinarily, at this season of the year, news from Southern Hemisphere dominates, but with tremendous reserve stocks in North America, and the inability of the European Continent to get overseas supplies, there is much less than usual interest in the outcome of the crops South of the Equator. Good headway is reported in Australia, but yields are generally below expectations; although quality of the wheat is excellent, most observers believe that the harvest will produce somewhere between 80 and 95 million bu. In the Argentine, estimates have been raised over earlier expectations. Possibly the crop will turn out 20 to 50 million bu better because of the favorable weather. Therefore, estimates range between 220 and 260 million bu, which would compare with last year's crop failure of 119 million, and the 5-year average of 231 million bu. Usually, there is about 100 million bu needed for domestic use, including seed, feed, etc., although 30 to 40 million bu go to neighboring countries, such as Brazil, Peru, and Bolivia, and the balance seeks European markets. Since the latter markets are not inviting because of the war situation, the Argentine government has fixed a minimum price on wheat equal to 54 5/8¢ a bu, which was practically the closing price on Wednesday. December 1st, government purchases will be made at these prices, and this is somewhat similar to their previous program, except that Last May when wheat was pegged, the farmer received 69¢ a bu. The Argentine government has on most occasions encouraged the merchandising of grain rather than to permit stocks to accumulate; but under present circumstances, the situation is quite different from the ordinary.

When our market opened this morning, it ignored favorable weather conditions, and prices were somewhat higher in sympathy with a better stock market, but volume of trade was considerably smaller than before the holiday. The fact that the soybean market rallied today after several deliveries had declined 8¢ a bu the previous session, gave a little encouragement, but there was no real enthusiasm for the reason that everybody appreciates that whatever strength there is in cereals is mostly due to artificial causes.

The corn loan, which was announced a few days ago, presents some controversial issues, and apparently many Iowa farmers will not impound as much corn as last season because of the requirement that storage space be provided until October 15, 1943; also, the knowledge that with the government owning such tremendous quantities already, storage space may finally be taxed to capacity. Then, too, they point out that the price of free corn is so much higher than a year ago that farmers cannot buy supplies from others while sealing their own stocks as was the case last year. Finally, poorer quality may reduce or delay sealing, and these factors had a slightly bearish influence upon today's market.

Primary wheat receipts were 584,000 bu vs. 451,000 last week and 774,000 last year. Kansas City, Duluth, and Minneapolis stocks so far this week show a total decrease of 1,581,000 bu. When the visible is posted on Monday, it will compare with a decrease last year of 1 1/2 million bu.

With a better sentiment prices were on the firm side all day, wheat closing 5/8¢ per bu higher.

Corn traders have not yet been able to appraise the full effects of the new government loan program. Prices were very little changed.

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CHICAGO Nov. 25, 1940.

Before the war started, most people were of the opinion that a long conflict would be bullish upon grain prices. They had in mind the experience of the World War, when Russia ceased to be a large exporter, and when the demand for United States wheat was enormous. Devastation in France and wastage on the battlefields also contributed, but everything seems different this time, and exporting nations will find it difficult with the blockade effective to sell theirsupplies even at moderate prices.

During time of war, one must think of peace, and in this connection, how will grains be affected? After 1918, Europe had to be rebuilt, and commercially the war had not yet ended. The collapse of Russia as a wheat exporting country, together with war damage to agriculture in all belligerent countries, particularly in France and in Belgium, meant that the surplus nations could do business on a heavy scale. There was also the reaction from a wartime economy, and with some relaxation in rations, the people of Europe wanted more to eat. Now, if we examine the first two factors, we see that great changes have also taken place. Russia for years past has only played a minor roll in the provisioning of the Continent. Secondly, agriculture has not suffered as it did during the World War, and while there have been many German victories on land, it seems that those countries under her domination are coming back under a more or less slave trade, but there probably will not be the urgency to augment their supplies after hostilities, as was the case 22 years ago. Of course, there is bound to be some expansion. Furthermore, nobody can be sure how devasting aerial attacks have been upon agriculture. Also, there is the possibility that this country will give large quantities for relief purposes to help the needy. But, we are trying to take a longer view of the situation rather than just the first few months after cessation of hostilities.

Growth of agriculture in Canada, Argentina, and Australia has been most phenomenal since the turn of the century. Canada, for instance, raised only 17 million bu of wheat in 1900; since that time, she has opened up 25 million acres of new land, and this past year, the crop in the western provinces amounted to 520 million bu. Thus, during twoscore years, agriculture has been revolutionized. The examples in the other two countries mentioned are less striking, but still important, and with various governments tempting the farmer with proposed plans to solve his problem, there is yet no indication that world acreages anywhere will be radically reduced, at least, while a fairly high level of prices prevails.

There was wonderful moisture over the winter wheat districts, and still more rains are likely. This may finally overshadow other factors, although temporarily the heavy impoundings of 257 million bu of wheat under the loan must be reckoned with. Kansas, Oklahoma, Texas and Nebraska have 100 million bu of wheat tied up. The four Northwestern States, consisting of North Dakota, South Dakota, Montana and Minnesota, have slightly less than 97 million bu of wheat frozen; therefore, these two districts comprise the important areas affected under the program. The farmer has until end of December to take advantage of the government's liberal terms. Eight months after the loans on warehouse wheat are entered into, they mature, but in no case beyond April 30th. Therefore, the trade continues to guess what the picture may be next May rather than what it is at present.

The visible supply had its first heavy decrease of 3 1/2 million bu. However, there is still 30 million bu more wheat in various positions than a year ago. Primaries were moderate, being about equal to last week and last year. Chicago stocks showed a shrinkage of 155,000 bu.

Some of theearly selling was in sympathy with corn weakness, and favorable weather, but recoveries took place, with final prices showing a loss of 1/2¢ per bu for the December; the May future was down the same.

There was a small increase in the corn visible, but the movement is not large owing to the artificial situation. However, some traders, unable to figure out satisfactorily the government corn program, liquidated holdings, and this was the principal factor in today's trading.

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November 26, 1940

For several weeks there has been no particular trend to the wheat market. Speculative operations have been at a minimum. While many traders were willing to assume moderate risks, figuring that with such heavy quantities of wheat impounded, the price would probably not break severely yet, they were deterred from becoming too enthusiastic because of the fact that they were continually reminded that some day this frozen wheat might be returned to commercial channels.

Farmers are still applying for loans, though it is noticeable that since prices have risen above the loan level, the volume of the pledged wheat has increased at a smaller rate. Almost half of the wheat produced in Kansas, Nebraska, Texas, and Oklahoma, has now been impounded, and still there has been no sharp increase in premiums of cash wheat over futures. In the Northwest, the situation is very similar, and millers are able to get their supplies without much trouble. If we assume that there might finally be 275 million bu of wheat frozen, and that all of this wheat would remain under the loan; also, allowing for a carryover of 350 million bu, one could conclude that next July there would only be 75 million bu of free wheat. The situation, however, is quite different during the interim; in other words, with consumption only taking place from hand to mouth, there is no scarcity yet with less than six months of the crop season past. Therefore, it still remains problematical as to whether there ever will be any great amount of tightness since some of the loans mature eight months after they are entered into, which could mean that impounded supplies might be coming back into the regular trade channels by next February.. This means more guessing than ever, and is very likely responsible for the small open interest, and likewise, the small daily trade.

In Europe, there must be a scarcity of supplies, or at least, a shortage measured in terms of distribution. Continental news is, as usual, very fragmentary, and with such strict censorship, no one is in position to get true facts. From Lyon, France, there was an appeal today for 50,000 carlots of wheat to be sent from the German occupied zone, and since it is practically impossible to get supplies from overseas, one might expect that Europe would undergo terrific hardships this winter, all of which does not help the situation from the surplus countries. This is reflected in the Argentine, where new crop wheat is being sacrificed in order to get it into consumptive channels. The price (FOB steamer) was 5¢ a bu below the guaranteed price that the government has agreed to pay farmers during the coming season.

Meanwhile, Canadian visible stocks have risen; there is 458 million bu of wheat in all positions, compared with only 360 million bu last year. Overseas shipments of wheat and flour were 3 1/2 million bu this past week, although this was some improvement and almost in line with shipments a year ago. Australia, because of a crop failure, will not burden the world with heavy shipments this season. Broomhall, quoting the Australian Agricultural Press, claims that the grower in that country is fully alive to the financial difficulties of the moment and that he does not expect the federal government to pay a hopelessly uneconomic price. On the other hand, the government will do the best it can for an industry which is destined to play an important part in the after-war international economy.

Primary receipts were 456,000 bu versus 350,000 bu last week, and 364,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 200,000 bu.

There was a fair amount of liquidation at times, which was probably based on the fine crop prospects; more moisture had been reported over wide-spread areas, but actual pressure from supplies was light, and recoveries took place, so that there was practically no change in prices from the previous session. December wheat was the strongest, and indications are there will be no deliveries on the first of the month.

Trade in corn was small. The market had a firm undertone, but until traders can appraise the full effect of the loan program, there is not much enthusiasm on either side.

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CHICAGO Nov. 27, 1940.

There has not been much sensational news from European war zones during the past few days. The Royal Air Force has been bombing German objectives almost nightly, and last night targets in Northern Italy were included. At the same time German air raids did considerable damage, but the recent barrages inflicted less property distress than on past occasions. The Greek situation offers optimism to the allied cause, and Italy has been compelled to hurl men and planes into her crumbling battlelines, attempting to avert disaster.

All this has had very little influence upon markets here; in fact, the trade has drawn attention mostly to the various features of the loan program and the recent favorable weather. There had been additional moisture over the Central States, and on the whole, this has been one of the best fall periods that we have had in recent years. Therefore, the outlook for the 1941 wheat crops is very promising at this time. The amount of rainfall that occurs in September, October, and November often has a definite relationship to final yields. In other words, the soil needs replenishing, and likewise, a good soaking into subsoil is highly important before freezing weather sets in. Thus, when a good start is had, the plant is better able to stand later vicissitudes, and it is not so necessary to have intermittent moisture all during the winter. Of course, there are always exceptions, and an outstanding one is last year's result, when the crop was only 55% of normal in December, but with almost perfect weather from that time onward, wonderful recoveries took place.

It is also heartening to note that the moisture situation over the Pacific Northwest is the best in years, as bountiful rains covered most of the grain-raising areas. Rain and snow were received over the northern spring wheat states, and as a result, we have had practically no complaints from any part of the country. It is not likely, therefore, that we shall encounter a buying based on weather, such as occurred last year when the farmers themselves were extremely pessimistic, and when it looked as though we might be faced with a crop failure the next summer.

Rather optimistic psychology pervades the milling industry, as well, and the buying remains merely hand to mouth, with spring wheat sales last week, according to the Northwestern Miller, only 37% of capacity, while in the Southwest, mills only booked 30%; this is all indicative of great indifference. As a result, there are very few hedges being taken out of this market, although, apparently, some December wheat is being purchased, and this has tightened the nearby month, as compared with the more deferred deliveries. Also, none of the elevator houses in Chicago seem to be particularly delivery-minded, and it is not likely that there will be any deliveries of wheat, corn, or oats during the early part of December. Whether strength in the cash months has any appreciable effect upon other deliveries remains to be seen. Of course, any material upturn in December wheat might free some of the grain now under the loan; therefore, this factor bears close watching.

Primaries were small today at 250,000 bu vs. 500,000 bu last week, and 288,000 last year. Kansas City stocks so far this week show an increase of 30,000 bu.

There was apparently eastern liquidation shortly after our market opened. This depressed values, but recoveries were almost as rapid, with tomorrow being the calendar day for making purchases. Some believe that this is not the season of the year when short sellers should become aggressive, even admitting that statistics are very bearish. They keep pointing to the fact that there is too much wheat impounded under the loan to make it attractive. The December was relatively stronger than the other months; this future closed 1/4¢ per bu lower; the May closed 5/8¢ per bu off.

Corn was firm, but not particularly active; there has been no evidence that farmers intend to substantially increase their marketings. Ordinarily, heavy accumulations take place at terminals during December and January, but there is no sign yet that conditions this year will be near normal.

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CHICAGO Nov. 28, 1940.

There is still no change in the general statistical position of wheat in this country. The Department of Agriculture bears this out, and estimates that, as of October 1st, there was 868 million bu of wheat on hand, compared with 794 million bu a year ago. They figure that domestic disappearance for the first three months of the crop-year was 6 million bu greater than last season, and this may have been due to heavier feeding when prices were low, but they intimate that domestic consumption for the entire season will probably remain at 685 million bu, which was the first estimate, owing to the fact that with higher prices now, the feeding of wheat has become less general. Allowing, then, for total exports of 22 million bu to foreign countries and various possessions, we would have a carryover on July 1, 1941, of about 369 million bu. Our own thought is that this figure may prove to be slightly high, but assuming for the moment that it is correct, and with 257 million bu of wheat impounded, there would be 112 million bu of free wheat next summer.

Many things may happen in the meantime. Should the market advance sharply, frozen supplies might be redeemed, and thus, there would be more free wheat in the reserve stock. However, with so little speculative interest, there might be declines, since it would require time before consumption would catch up with the amount of grain on hand. We doubt whether more than 250 million bu of wheat will be consumed for bread purposes during the first six months of the crop-year; therefore, tightness might only develop by next March or April. If the market should decline, it is reasonable to suppose that the impoundings between now and end of the year would increase, and this might hasten the tightening of supplies. Thus, the situation, at least for the time being, remains extremely uncertain. May wheat remains at a substantial premium over July for the reason that the trade cannot definitely know yet whether the carryover reserves will be in free hands, or whether they will be largely tied up. This situation will only be clarified as time goes on.

Weather on the whole continues favorable. Temperatures in the Central States dropped considerably, but moisture had preceded the cold snap, and nobody is claiming damage of any kind. Even in the Texas Panhandle, where there had been heavy property damage, wheat prospects were given a big boost and many areas received as much as 2 1/2 to 4 inches of moisture within the past week. Therefore, farmers are able to finish their seeding as soon as they can get into the fields, and optimism prevails.

Chances are that the winter wheat acreage will be much the same as it was last season. We shall not have actual figures on this until late in December. However, with good prospects there are still districts where farmers can sow, and this is quite a different story from last year when fall work was accomplished under great difficulties.

There is not much news on the export situation. A little Canadian wheat is being worked, but Britain is rationing shipping space and only taking food supplies that are actually necessary. There has been a ban placed on shipments of bananas, apricots, grapes, and apples, due to lack of cargo space, but the latter is possibly due more to a shortage of refrigeration capacity and, therefore, does not apply to grains. Nevertheless, Argentine exports are hampered, and new wheat for January-February shipment declined to 49¢ a bushel, FOB steamer, which is 5 5/8¢ under the guaranteed price to the farmer, but even with the subsidy no big business seems likely.

December wheat today was very strong, and for several sessions now has been tightening. Very likely, this influenced other months, with the result that our market advanced, although new buyers were not particularly conspicuous. The nearby future advanced 1 3/8¢ per bu, while May wheat was 3/4¢ per bu higher.

Primary receipts were 378,000 bu; last week there was a holiday, and last year they amounted to 268,000. Kansas City and Minneapolis stocks so far this week show a net decrease of 331,000 bu.

Corn was very strong at one time, with December leading. However, full advances were not maintained. According to Washington, it appears as though about two-thirds as much corn may be sealed this year as compared with last season.

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CHICAGO Nov. 29, 1940.

Whenever there is an overproduction in any commodity and it is impossible to find buyers in sufficient number to take care of the surplus, supplies start piling up and this is very often the beginning of trouble. Before the days of managed economy, prices would sometimes sink to a low level, with the result that producers everywhere were discouraged --land would remain idle --less money was paid for fertilizer and there was general neglect. But although painful, the problem found its own solution. During the last decade almost every government has tried to assist the farmer, and, therefore, artificial stimuli have been resorted to. It is hardly necessary to review here all the methods that were tried, except to state, in passing, that most of them were doomed to failure. The obvious trouble lies in the fact that when prices are stimulated, or fixed, the consumer goes on strike, and therefore, the situation, instead of improving, becomes more aggravated. Likewise, if farmers are paid to sow fewer acres, they usually cultivate more intensively, so that yields are not necessarily smaller.

Despite a crop failure in Australia this season, the government is looking ahead, and the wheat acreage will be licensed and production diversified wherever possible; in fact, some states will be required to remove growers from marginal lands. Whether or not this plan will be more successful than others, remains to be seen. The farmer loves his land and dislikes to see it lie idle; therefore, with the government offering in connection with acreage reduction, a stabilization scheme, there may still be trouble ahead. However, under the Australian scheme the grower is not permitted to speculate entirely with government funds. If the price of wheat goes higher than a certain level, the producer will receive the first three or four cents, but then the next advance will go into a fund to defray losses suffered by the government under their guaranty. Then, if there are additional advances, above 8¢ per bu, the extra profit will be shared equally by the growers and the government fund.

Little news comes to us from the Argentine, but the latest estimate on wheat acreage is almost in line with the five-year average. The weather has been cool, with light rains in some areas, and harvesting has begun already in the very early districts.

The crop news from Europe, while still fragmentary, is reassuring in that winter wheat acreage for 1941 will be fully maintained. Actually, some increases, particularly in occupied areas, have taken place, according to our Department of Agriculture. Despite war, fall work has progressed better than a year ago, although hampered in a few districts with seed and fertilizer insufficient. On the other hand, rains have promoted proper germination.

When our market opened today the carryover feeling from yesterday was slightly bullish. December futures of wheat and corn suggest tightness, with no deliveries expected early next month. Broomhall had a report that the British blockade may be partially raised so that we might be able to send supplies of wheat to Spain, and possibly to unoccupied France. Definite confirmation is lacking, and we have no other details. We do know, however, that harvesting of the Spanish cereal crops has been completed under generally favorable conditions. Deliveries of new wheat are coming forward, but are insufficient to cover millers' requirements. The crop is turning out better than early forecasts indicated.

Primary receipts were 429,000 bu vs. 584,000 bu last week and 268,000 bu last year. Kansas City, Duluth and Minneapolis stocks show a total decrease of 4,863,000 bu. The bulk of the decrease was at Duluth, apparently the shifting of stocks prior to close of navigation. Some of this wheat, however, is apt to show up on the lakes or at Buffalo. When the visible supply is posted on Monday it will compare with a shrinkage last year of 801,000 bu.

Markets were colorless after an early advance; buying power gave out, with the close 5/8¢ per bu lower for the December wheat, and the May future declined 3/8¢.

Despite small amounts of free corn available at terminals, there was no urgency on part of buyers, and the greatest speculative indifference exists.

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CHICAGO December 2, 1940.

There was news this morning that the loan program, which was designed to alleviate farmers' ills, might be abandoned, if Congress would adopt the so-called income certificate plan advocated last year by the former Secretary of Agriculture, Mr. Wallace.

Two and one-half months ago, we stated in one of our market letters that in almost every instance, when artificial means were adopted to prevent normal laws of supply and demand from functioning, there were drastic consequences. The Farm Board started its operations in 1929, at which time carry-over reserves were moderate, but they gradually increased until a breaking point was reached, and so important was this that we publish again the following figures as an illustration:

Year	End of Season carryover	Year	End of Season Carryover.
1928	115 million bu	1931	329 million bu.
1929	232 "	1932	391 "
1930	294 "	1933	382 "

After 1932, there were several years of drought, and thus, Nature corrected a situation with which human beings had vainly struggled. It seems strange that, regardless of method, through artificial means the same results are finally reached, and we shall probably end up the present crop-season with supplies nearly as large as those accumulated during the Farm Board era, despite enormous monies which have been spent in an effort to prevent a recurrence. The carryover stocks since 1937 are shown here to illustrate what happens when artificial methods are pursued.

Year	End of Season Carryover	Year	End of Season Carryover.
1937	83 million bu.	1940	284 million bu.
1938	154 "	1941	340 to 365 Mil. Bu. (estimated)
1939	255 "		

The impounding of supplies has caused hardships to country mills, which were unable to get free supplies since the federal loan program has created an artificial scarcity. Whether the new plan will be any more favorable to the farmer and to the country is a moot question. In any event, the result of all this experimentation is working the greatest hardship upon the grain trade, and nobody can be at all certain that those who are carrying on the business of handling farmers' surpluses will be able to survive, and yet, the middleman is least considered when all these plans are under advisement.

In the view of the officials planning the 1941 program, the most serious difficulty is the fact that it would fail to take care of one of the larger problem crops --corn. This is true because a large amount of corn is used for feed, and therefore is not processed. To reach the corn belt farmers with processing taxes, under the first AAA program, it was necessary to place a tax on hogs. This was burdensome, and in our opinion, the new plan is just another one of those which will finally have to be abandoned after it is found unworkable. It is quite possible, however, that the government wishes to avoid ownership in grains, having had so many unfortunate experiences in this direction.

Soil moisture is claimed to be good almost generally throughout the winter wheat belt. The crop is up to good stand in Oklahoma, and the additional rains of last week have been beneficial. More than normal rainfall was received since the first of August in most of the hard winter wheat belt, and in the Pacific Northwest; however, moisture still remains below normal in the principal soft winter wheat states, including Ohio, Indiana, Illinois and Missouri.

Primaries were 360,000 bu --much the same as last week, and last year. The visible supply decreased 2,432,000 bu, with stocks in all positions 156 million bu. This is roughly 28 1/2 million bu more than was on hand in 1939. Chicago stocks decreased 263,000 bu.

Our market was strong early under leadership of the December, which acts tight. Elevators have made no wheat tenders yet on December contracts. As the session progressed small liquidating sales brought about a reaction, with the nearby month 1/8¢ per bu higher, and the May future was unchanged.

Corn never acted very gimpy, and values were somewhat lower. There is very little speculation in this cereal, because nobody knows how the corn program will influence the action of the farmers.

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CHICAGO December 3, 1940.

For many years, Argentina had an outstanding record, and followed her usual custom of disposing of the wheat surplus soon after it was raised. Whenever there were large crops, which gave her a sizeable excess. she offered this wheat to the importing world, and very often, undersold practically every other exporter. At times the difference between the price of futures at Buenos Aires and in Canada, or in other centers, was enormous, but apparently, farmers were satisfied and they scarcely ever assumed a waiting attitude. Undoubtedly they recognized that with a population of only 12 million, it would be futile to try to pile up reserve stocks from one crop-year to the next. We commented upon this fact to a friend who recently visited here from South America, but he told us that credit was due largely to the lack of sufficient elevator space, and thus, it was impossible to sack grain and to keep it indefinitely without taking the chance of deterioration.

In our own country, we have ample elevator space for virtually all purposes. There is possibly 600 million bu of space in 57 cities that could be utilized in normal times, where the facilities are sufficient for turning the grain and keeping it in condition, but the government recently built a good many iron cribs. Fortunately, the quality of the corn happened to be such that it did not heat. However, in ordinary times the risk is tremendous in dumping corn into these steel bins without the proper provision for aerating or running it over conveyor belts when it starts to deteriorate. However, the ever-normal granary was another proposal with which we had experimented and if carried to conclusion, possibly the accumulation of farm products in the goverment's hands will lead to secondary consequences of a fatal nature.

According to information received yesterday, the Department of experts in Washington are considering a change in their program. This may mean the end of crop loans, and in their place, the government would issue "income certificates" to farmers in amounts corresponding to their harvests. Commenting on this change, the Wall Street Journal today states editorially: "Ever since its 1929 decision to intervene on behalf of "orderly marketing", the government's program of farm aid has been fundamentally self-defeating. It still is. It bolsters market price while attempting to persuade farmers to curtail production, forgetting that price is the inducement to produce; forgetting also that planted acreage is not always the same thing as harvest yield." However, the Secretary of Agriculture recently, in discussing cotton, claimed that any program which increases surpluses year after year is bound to break down. We presume, therefore, that they have finally taken cognizance that when accumulations start piling up, this is the danger signal.

Primary receipts were 459,000 bu versus 456,000 bu last week and 488,000 bu last year. Kansas City and Minneapolis stocks show a net decrease of 144,000 bu so far this week. There was very little feature to our market; in fact, it was in the doldrums much the same as during past sessions. However, with some uncertainty as to what future programs the government might adopt, a little liquidation came into the pit, with final prices 1/8¢ a bu lower for December wheat, while the May delivery declined 3/8¢ a bu.

Corn was under liquidating pressure from locals; also, cash interests seem to have placed more hedges in the pit and most of the support on declines came from shorts. However, producers are more lukewarm to the provisions of the new program, and apparently fewer loans have been entered into than at this time last year.

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CHICAGO December 4, 1940

Every businessman - in fact, everyone who owns anything, or has to make a living - must be in sympathy with the Administration's aims and wishes to help agriculture as much as possible in an effort to realize at least a reasonably high price for everything that is raised on the farm. Whenever the producer fails to prosper, all others suffer directly or indirectly. This, however, is not taken to mean, nor is there any justification for believing, that certain farm products should sell at as high a level in years of large yields as in years of calamity. It is true that the price level of every commodity is determined to a large extent by the supply and demand of that particular article, but there have always been exceptions of certain commodities to the general index; even during the last World War when there was a continual rising tendency for practically everything, and when some products advanced as much as 300 to 400%, coffee prices were extremely low and could not be lifted for the reason that Germany and Austria, both large consumers in ordinary years, were unable to obtain same; thus, a surplus was created which could only be marketed at a great sacrifice.

With the prospect that the wheat carryover at the end of this season will probably approach in size the record one during the Farm Board era, Washington is concerned with ways to avoid extremely low prices to the farmer. So far they have accomplished this by having a loan price considerably higher than the value of the wheat. They have also been helped because Canada has established minimum prices and has not permitted sharp declines, which might otherwise have enabled Canadian farmers to sell their produce to this country, even with a very high tariff. There is general recognition, however, that the artificial methods are only temporary and offer no permanent solution to the problem. The acreage of winter wheat is practically the same as last year. However, moisture conditions are far better, and we can easily see that by next summer wheat would ordinarily sell much lower by way of comparison with other cereals and other commodities, unless further artificial steps are taken to prevent the normal marketing of grain. We assume that every reader is aware of the fact that when we talk about the future, conditions might change so materially that what we are saying now would sound ridiculous later on, but we can only count on normal weather conditions -- we are not figuring on a bumper crop, nor a crop failure in those calculations.

Primary receipts today were 383,000 bu, slightly better than last week, when they amounted to 250,000 bu; a year ago they were 311,000 bu. Kansas City and Minneapolis stocks so far this week show a total decrease of 199,000 bu.

According to Broomhall, crop prospects in Europe are generally favorable insofar as information can be gathered. He now claims that a record acreage to crops is being arranged for in the U.K. this fall and next spring. Italy has completed fall work, and a full acreage to winter wheat is already planted. Despite the war, the Balkan and Low countries state that winter wheat acreage has been maintained, and is all in the ground. In fact, Holland, Belgium, and Northern France may sow more than last season.

Our market was a very dull affair again; weakness occurred at times, but the great strength in December wheat was an influence, and as yet there have been no deliveries made here in Chicago. At the last, the nearby future showed an advance of 5/8¢ per bu, while May wheat was unchanged.

Corn was neglected, although some liquidation was in evidence. Dealers report that farmers and landowners generally are dissatisfied with some of the features of the corn program, particularly those requiring additional crib space if the grain has to be carried for several years. This may finally cause hesitancy on part of producers to accept the loan, despite the fact that the price is temptingly high.

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CHICAGO December 5, 1940.

There has been some newspaper discussion recently about peace proposals prior to Christmas, but in London this morning, the House of Commons by a large majority rejected an appeal that had been made by the independent labor party.

There is actually more talk in the East about British credits, and there is no doubt but that Washington may extend material aid to the Empire in some form, when the administration is convinced that Britain is nearing the end of its resources. A comprehensive survey of British assets,not only in this country but throughout the world, is being made.

Neither foreign news nor anything in this country seems to take wheat prices very far from present levels. It is difficult to see where any major advances or declines will come from on basis of the news now at hand. From the Southern Hemisphere, we gather that the Australian crop was a failure and may amount to about 92 million bu. However, with the carryover of 50 million bu from the previous season, there seems to be ample grain for all requirements. Prospects in the Argentine continue favorable, and a fairly large yield is expected, with only a limited export market; thus, the government is caused some concern. The Finance Minister has suggested the purchase of agricultural surpluses since domestic disappearance, including seed and home consumption, has averaged somewhat less than 100 million bu during the past five years. Just today, the government in that country decreed that all futures trading in corn be suspended. Broomhall attributes this to the fact that free corn has been selling at such a sharp discount under the government buying price that the new step appeared necessary. It reminds us of throwing a thermometer out of the window when the patient has a high fever, in order not to be alarmed. The writer recalls a number of years ago on the Paris Bourse, when some unfortunate peasants smashed windows, and after breaking into the exchange room, they erased grain quotations from the blackboard, which registered low prices. In their misery they thought that this would accomplish their purpose and net them better prices, because they attributed the poor returns to the chalk marks, which, after all, were simply a barometer of the true condition.

Meanwhile, Canada is carrying on a rather indifferent export trade in wheat. Shipments the past week were about 3 million bu, leaving approximately 680 million bu still available for export and carryover into the next crop, with one-third of the present season already passed. Unfortunately, domestic consumption in that country is rather small. Human beings require anywhere from 42 to 50 million bu. Never during the past five years, even with large acreages sown have seed requirements exceeded 36 million bu. The amounts necessary for feeding livestock and poultry vary from one year to the other, but average probably 25 million bu, while the other uses are exceedingly small and consist of some loss in cleaning of grain and a very small amount of unmerchantable wheat --the latter being only important in years when quality is poor. Thus, when the foreign demand is inadequate, Canada must necessarily pile up accumulations.

December wheat in our market has dominated the situation for several sessions. Great strength in the current month has prevented important breaks in the more deferred deliveries, but on the whole, there was no expansion in the volume of trade. Yesterday, for instance, only 8 1/2 million bu were transacted in the wheat pit, or practically the same as during the previous session. This is most unusual for the early part of December, when ordinarily volume is much heavier.

Primary receipts were 347,000 bu vs. 378,000 bu last week, and 424,000 last year. Kansas City and Minneapolis stocks so far this week decreased 265,000 bu.

This was probably one of the dullest sessions we have witnessed in months, with the trade completely indifferent. At the last, December wheat was unchanged, while the May delivery declined 1/8¢.

Corn, oats, and rye were slightly lower. The trade is awaiting new incentives before entering into additional commitments. Many believe that the new corn program will find farmers dissatisfied, and that as a result, a proportionately larger amount of free corn may come to market.

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CHICAGO December6, 1940.

The total volume of trade in the wheat pit yesterday was only 6 million bu. This shows complete demoralization and lack of interest. Another large brokerage house that has been associated with the grain trade for nearly half a century is said to be turning its accounts over to others at the end of this month, and will lose its identity. Having paid millions of dollars in salaries to employes, and having afforded security to scores of families while business prospered, here was a firm serving its clients honestly, and thus, it performed an economic function. Other grain houses have previously closed their doors; because of doubt and uncertainty, more are almost sure to follow. Thousands of homes will face their Christmas this year with gloom and despair instead of with the usual bonuses and Christmas cheer. Many more employes are realizing that they are closer to the point where government aid or relief must be anticipated. The grain trade, through no fault of its own, but because of the various experiments being conducted by the government intended to help agriculture, finds itself in a desperate plight. Thus, what was once a going business is being shoved on the rocks. This is bold language, but one dares talk fearlessly when the truth of such statements cannot be refuted.

According to a Washington dispatch, the problem of handling surplus wheat supplies in the Argentine this coming season promises to be more complicated for the Argentine Wheat Board than was anticipated. Stocks of old-crop wheat have been revised upward, and with another crop soon available, it will not be easy, owing to shipping difficulties, to get grain in large volume to European markets.

War news from Europe was more encouraging today. Air Marshal Bishop claimed that whatever damage German bombers were doing to England, it was true that the British were paying back at a ratio of 2 to 1 through the night bombardment squadrons of the British air force. Of course, with almost complete censorship of news from Germany, we have been badly informed as to actual damage sustained in that country. There was another item: namely, the resignation of the Italian Chief of General Staff, who had been active commander of Italy's land, sea and air forces, with no reason being given. This indicates that all has not been going well, particularly being succeeded by a comparatively obscure army veteran, who had been commanding troops on the Italian-French frontier.

Actual grain news was lacking, except that we now have the official November moisture for the country. After a careful survey, we find that practically nowhere in the wheat belt was the precipitation less than normal, while many localities showed excesses, particularly with good rains recently in parts of Texas, New Mexico, Oklahoma, and Kansas, some areas having received 3 to 400% of the normal moisture for the month. This suggests that when the condition figure is issued by the government in December, it will purport great optimism, particularly as compared with last year. Whenever the winter wheat crop gets off to such a good start, it is better able to withstand hardships during the winter months.

Primary receipts were 355,000 bu versus 429,000 bu last week and 532,000 bu last year. Kansas City, Duluth and Minneapolis stocks so far this week show a total decrease of 1,746,000 bu. When the visible supply is posted on Monday, it will compare with last year's decrease of 3 1/4 million bu.

There was some uneasiness in the market today because of the great weakness in corn. The December delivery lost its entire premium overnight, and with fairly good arrivals here in Chicago, and cash dement indifferent, there was liquidation, particularly of the nearby month. Traders who had been bullish on wheat, mostly for artificial reaons, sold long lines, and, of course, there is always the fear that with such tremendous stocks in North America, the unexpected might happen, as even in the past, governments at times have had to change their minds in various attempts to stabilize markets.

December wheat remained relatively firm, closing 1¢ per bu lower. There was a decline of 1 1/4¢ per bu for the May delivery.

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CHICAGO December 9, 1940.

There was further shifting reported in Italian personnel over the week-end, but it is too early to reach exact conclusions, although appearances definitely are that the Axis has lost the battle for the Mediterranean. Should conditions become worse, it is more than likely that revolts in Italy might start, and an early collapse of Italy is certainly within the realm of possibility. The loss ofItaly's main base in South Albania has been admitted, and retreat seems difficult since transport service has been completely disorganized by unceasing Greek and British bombing raids.

When our market opened this morning, it was apparent that short covering on Saturday had satisfied nervous accounts. There had been discussions on probable wheat exports from this country to Spain on credit, but nothing further was revealed, and we must await now more definite news from Washington.

Meanwhile, we learn from the figures released on Saturday, that while the impounded wheat supplies increased about 3 million bu for the week, there were three or four states where grain had actually come out of hiding, although on a comparatively small scale.

There is one thing that the American farmer had enjoyed for nearly a century, and that was, the promptness and definiteness of organized exchange prices, whereby grain could be sold at practically every minute or hour in the day. Since the Board of Trade was incorporated, it has had a record of being open almost continuously, so that the farmer on any business day, in war or in peace, in prosperity or in panic, knew exactly the market value of his produce. There are only two exceptions which come to our mind at this writing; one was during the bank moratorium, when every financial institution in the country was closed, and when this Board could not function; and later on for a period following monetary inflation after our currency had been devalued, when for a few days the reaction was so great that it took time to get clerical work in order. Any farmer who has been called upon suddenly to sell a team of horses, or a farm, must recognize what benefits he receives from organized trading. He also has had time to reflect while walking behind a plow, and undoubtedly appreciates that in years of plenty he cannot expect as high a price as in years of scarcity. There have been some economists, whose soundness of thinking we question, who have recently claimed that the whole law of supply and demand is inoperative. Some of these have advocated price-fixing, but they overlook one very fundamental rule, namely, that a price which is too low does not maintain production, while a price that is too high does not maintain consumption. There is one vital point they all apparently disregard: namely, that production per acre is a great variable and cannot be planned ahead of time.

One of the crop experts issued a report today, placing the current condition of winter wheat at 87.1% of normal, compared with 80% the ten-year average. Even the government points to the marked contrast to last year, when conditions were extremely dry throughout the interior, and especially the western wheat belt. The crop outlook is good to excellent in practically all sections. Relative weakness in July wheat may be based on the theory that we shall have a very large crop next year, but some are also selling it against purchases of May on the theory that present supplies are tight, and that a political change in the handling of next year's crop may give us larger free supplies after the next harvest.

Primaries were 493,000 bu; this was slightly better, Southwest receipts having improved. Last year's primary movement was only 385,000 bu. The visible supply decreased 3 1/4 million bu, practically the same as last year. Total stocks are close to 153 million bu, which is 28 1/2 million bu more than in 1939. Chicago stocks are 12 million bu. There was only a slight shrinkage during the week.

Our market was weak at times, but trade on the whole was small, and pressure was not severe. It seems difficult to arouse much enthusiasm with so many artificial influences still at work. At the last December wheat having gained a little ground on other months, showe an advance of 5/8¢ per bu, while the May future was down 1/8¢ per bu.

Trade in corn was unimportant. It is generally believed that there will be considerably larger supplies marketed under the new loan program than a year ago, but on the other hand, farmers are not rushing to sell their grain; they seem to feel that rallies may take place from time to time.

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CHICAGO December 10, 1940

Owing to the fact that the loan program has been only partially successful, having piled up tremendous surpluses of cotton, corn and wheat, there are discussions taking place at Baltimore, and the American Farm Bureau Federation has various proposals for the future. The Federation's president has stated that organized farmers would continue to ask Congress for an annual appropriation of at least $500 million for soil conservation payments. There have been many more drastic issues considered in recent weeks-- amongst others, price-fixing, which, in our opinion, would bring greater chaos than almost any other plan.

It is a stubborn economic fact that values do change from time to time. Anything that affects the consumer's wants, fancies, whims, caprices, taste, prejudice, passions, knowledge, or desire may affect his demand. Hence, demand fluctuates. We have commodities in which there is no speculation in the commonly accepted term, yet there is price fluctuation. At the present time, the government is contemplating new bond issues, and we are convinced that once these circulate, they will fluctuate just like all other government bonds have done in the past. The government has not yet found a method of stabilizing the price of its own issues. It is stamped on the face of the bond in very plain figures the exact price at which it will be redeemed; yet, the price of these bonds fluctuates daily. One particular issue of 3% bonds declined early this spring to $107.66, when the Low Countries were invaded, and sold as high as $113.75 during 1940. These same bonds in January 1932 sold as low as $82.09. This in itself proves that fixation of prices is next to impossible, and the chances are that if all the speculators in the world were dead, prices would still fluctuate.

News from Europe indicated that the Axis had suffered further reverses in the Mediterranean. British forces have taken 4,000 Italian prisoners in their drive on Egypt, and this, plus Greek successes, was probably the reason for Hitler's talk, which was mostly for home consumption in order to keep German morale as high as possible.

When our market opened there was very little feature. December wheat, which for several days has been relatively strong, gained further on the deferred months and this influenced later deliveries in wheat, as well as other grains. There has been abundant moisture in practically all parts of the Southwest, and this undoubtedly will be confirmed tomorrow when the other private experts release their reports on the condition of winter wheat. After the middle of the month, we shall have the official report from the government, as well as the final crop report of last year's yield; but no great surprises are looked for and the markets remain mostly dominated by the government loan policy, which has taken a very large percentage of the wheat from commercial channels. Therefore, prices will undoubtedly continue to be artificial until this situation is corrected.

Primary receipts today were fairly substantial at 519,000 bu, versus 459,000 bu last week, and 694,000 bu last year. Carlot receipts have improved slightly and farmers are undoubtedly selling some of their cash grain prior to Christmas as so often happens. Kansas City and Minneapolis stocks so far this week show a net decrease of 125,000 bu.

Volume of trade was very small, probably much the same as yesterday when about 7 1/2 million bu of wheat were handled in the pit. At the last December wheat showed an advance of 5/8¢ a bu, while May wheat was up the same.

Corn had a much better undertone. The government announced that its holdings would not be marketed until the price on the farm reached 65¢ a bu, and they were then willing to sell 150 million bu. The important feature as we see it is that the free supplies will probably be considerably larger than in 1939, as many producers dislike the idea of having to guarantee three years' crib storage.

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CHICAGO December 11, 1940.

Italy seems to be more of a liability than a help to Germany. British forces operating in the western desert of Egypt have captured more than 6,000 Italians, and also, large quantities of war material. London reports further Greek successes against Italian troops in Albania, and this may all tend to change the final outcome of the war.

When our market opened this morning, it paid very little attention to anything that was happening abroad; nor for that matter did it take cognizance of the large supplies of wheat that are available in North America. We are still dominated by the government loan policy, with practically one-third of last year's wheat production tied up. Since the season started, July 1st, exports have amounted to 15 1/2 million bu. On basis of prospective utilization of 700 million bu, which is possibly somewhat high, there is still 376 million bu available for export or next year's carryover. This suggests that the reserve stock next July may be even greater than it was during the Farm Board era. All this might be remedied if the war would end quickly, and if we could give tremendous quantities to Europe on a relief basis, but the trouble is that there are other exporting countries also anxious to reduce surpluses.

So far, there have been very few secrets in the trade, and while we were one of the first to resort to subsidies, others have adopted the same measure, and thus, the competition from Argentina and Canada has probably not lessened by virtue of the fact that we have adopted artificial stimuli in an effort to correct our problem.

The experts came out today, and on basis of December condition, they figure that the winter wheat crop next summer will yield about 595 million bu. It is reasonable to suppose that the spring wheat crop will yield another 200 million bu; consequently, we have 100 million bu over and above domestic requirements from the next crop. There is no indication that home consumption will be any better next year than it is now; therefore, unless new foreign markets are found, we shall continue to pile up supplies.

In Canada from the start of their season, exports of wheat and flour have been 9 million bu less than they were in 1939, and at the present time there is a balance for export and next carryover of 682 million bu. This is more than twice as much as is raised in that country on an average, and should they have just a normal crop next season, nobody can predict the outcome.

According to Lord Lothian, the United States will not be permitted to send foods to German occupied territories except where rather small quantities are distributed through the Red Cross or other agencies. It is not surprising that with so few countries in Europe able to get overseas shipments, Broomhall has cut his estimate of world requirements. He now figures that 400 million bu may be sufficient, which is a reduction of 40 million bu from an earlier estimate. During the first 17 weeks of the shipping season, on an average only about 5 million bu of wheat have been placed afloat each week, which on basis of the higher estimate was only half as much as would have to be cleared during the remaining period. Therefore, it is still likely that even the figure of 400 million bu is a little too high. Of course, in our calculations we have excluded shipments from Australia, as these were not available owing to censorship.

Primary receipts were small at 272,000 bu versus 383,000 bu last week, and 371,000 bu last year. Stocks at Kansas City and Minneapolis so far this week show a total decrease of 231,000 bu.

Advances and declines were about evenly divided. There was no particular trend; firmness in December wheat, with no deliveries, attracts attention, and is probably a sustaining influence. At the last December wheat was 1/8¢ per bu lower, while the May delivery declined the same.

Trade in corn was also very indifferent. If prices remain at these levels, or should advance a few cents, we feel convinced that there will be freer marketings than a year ago. Nevertheless, it is a very artificial picture, and comparatively high prices no doubt would mean less feeding because of the unfavorable corn-hog ratio.

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CHICAGO December 12, 1940.

British planes bombed invasion ports in German-occupied territory, and this is the pattern of British raids which have been directed primarily at dislocating the services and communications on which economic activities depend. Meanwhile, Italy continued to suffer reverses and British military quarters stated that the greater part of two Italian divisions was believed to have been bottled up and captured near Sidi Barrani. Italy is apparently suffering now for the war which she launched under a misconception. Her intervention last June was planned at a time when she considered that the fighting was virtually over and that she might be rewarded for her moral solidarity. However, the reaction from this early optimisism has been extremely damaging and it remains to be seen whether or not Hitler will finally afford greater help to Italy, at least, in Greece, rather than see Mussolini pushed into the Adriatic.

Ordinarily, important world events such as these would have a tremendous influence upon our markets, but when we opened this morning, the trade seemed listless and there was a continuation of yesterday's market, both from point of view of extreme quiet and also with quotations scarcely changed from the previous day's closing level. Toward the end of December we generally pay a great deal of attention to crop conditions in the Southern Hemisphere. However, the very poor outturn in Australia, with an indicated yield of 92 million bu, is more than offset by the tremendous supplies remaining in Canada, and even heavy rains throughout the grain areas of the Argentine where possibly the quality of the wheat was lowered, failed to attract the attention of traders. Supplies remaining in that country for export are very low, but likewise, boats to carry the grain on a long haul are scarce. The British government is reported to have chartered a moderate amount of space in order to take care of new crop shipments.

During the last two or three months the Canadian Department of Agriculture has been vitally concerned with the immediate problem of storing wheat supplies from the present crop, but in our opinion, the much more serious problem of congestion will be faced in the years ahead, and may possibly not be delayed beyond next summer, should Canada raise anything like a normal crop. Mr. Gardiner has intimated that Canada is now in possession of a sufficient volume of wheat to cover the requirements of the U. K. for a period of three years. In the light of export shipments to date, one could not reasonably expect that Canada would ship more than 150 million bu of wheat during this crop season. On that basis, reserve supplies next August would be somewhere between 550 to 600 million bu, while it is figured that there is only adequate storage space in the whole country to take care of about 450 million bu; this being so, a great deal of wheat would necessarily have to be carried on the farm, as almost all the elevators will be completely filled before a new crop is harvested. Just today it was reported that Pacific coast terminals were loaded to capacity, and the railroads were accepting shipments of grain only on special permit from the country.

Primary receipts were moderate at 392,000 bu versus 347,000 bu last week, and 438,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 335,000 bu.

Trade was almost as quiet as yesterday when less than 7 million bu were handled in the whole wheat pit. However, there was some December liquidation, and the nearby future lost a little ground as compared to the deferred months. At the last December wheat showed a decline of 7/8¢ per bu since yesterday; the May wheat was down 1/2¢.

Corn was also inclined to be a little bit weaker. The trade is rather discouraged. Should present levels be more or less maintained, there is a good chance that the farmer will sell more corn on the open market than was the case last year.

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CHICAGO December 13, 1940.

Friday, the 13th, is regarded by many superstitious people as an unlucky day. Germany lost the Battle of the Marne on just such a day. However, the allies hailed it as a great victory, and possibly history is repeating itself, with both Britain and Greece reporting further military successes over the Italians. Through Western Egypt, Italian troops are fleeing in disorder toward the Libyan border, while the Greek capture of Porto Palermo on the Albanian coast was officially announced. A captured Italian commander was quoted as saying that the Italian command at Tirana was considering the advisability of asking Greece for an armistice.

On this side of the water, it was extremely quiet. Rather low temperatures were reported over the winter wheat belt, but fortunately, more moisture preceded the drop in thermometer readings. Sufficient moisture during the fall months is a very important influence, and it has always been our experience over a long period that we never get enough rain or snow in this country unless everybody clamors about having too much. This is particularly true as far as wheat areas are concerned, as we have such a large portion of semi-arid land where good crops are only possible when the fields are soaked. This ideal condition seemed to have prevailed during the fall months, and in consequence, we believe that the good prospects for winter wheat have been fully maintained, as the government report will probably show a little later on.

That the wheat market should hold fairly steady, in view of crop conditions, and also, the very bearish statistics, can only be explained in light of the wheat loan, and its operation. When the Secretary of Agriculture first considered seriously a wheat loan in May, 1938, many people considered his action appropriate, since it was the intention to provide for only a modest price. To begin with, with the large yields, farmers did not need a very high price, as they already were receiving other subsidies, and it was generally felt that a low loan price would enable this country to do a much larger export business than otherwise. The way the loan policy was administered, rather high prices were paid to the farmer, and in many cases, higher than the market. Thus, great accumulations took place, with the burden of carrying surpluses from one crop to another. Even with the subsidy, it was not so easy to effect export sales, with the result that accumulations increased. Before the days of the loan program, the futures market tended to discount coming events in relation to supply and demand, but under the new order, millers try to get their supplies at harvest in order to carry them through any threatened shortage which is created by farmers who hold supplies off the market under the price guarantee of the loan. As a consequence, we find that flour sales may lag, and the extra stocks prove a burden, because they cannot properly be hedged with the deferred futures selling at a discount. Merchandising operations are also affected; dealers are reluctant to carry grain which will show them a loss when they cannot obtain carrying charges. The threat of a large quantity of loan wheat which may some day be forced upon the market as loans mature, or after defaults take place where resales may be made by the CCC, often discourages flour business. As a result some of the millers' requirements are not filled until just before another crop is available, at which time these purchases are urgently needed. This also intimidates merchandisers throughout the whole year, and brings the same consequences as would two harvests a year.

Primary receipts were 296,000 bu versus 355,000 bu last week and 421,000 bu last year. Kansas City, Duluth, and Minneapolis stocks so far this week show a total decrease of 899,000 bu. When the visible supply is posted on Monday it will compare with last year's decrease of nearly 2 million bu.

Early strength in wheat was in sympathy with the higher stock market, but later on liquidation set in, particularly after December soybeans broke more than 5¢ per bu. Wheat prices showed a decline of 3/8 to 3/4¢ per bu for the deferred months.

Corn was slightly lower; there was no particular pressure, but on the other hand buying incentives were lacking, and the trade continued to be quite indifferent.

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CHICAGO December 16, 1940.

It was just three years ago that a new Farm Bill was enacted. At the time of its passage, we made the following statement: "With a law enacted compelling farmers to reduce acreages under certain conditions, according to a planned system, with the intention of having an ever-normal granary with reasonably high prices instead of fluctuating ones, it will undoubtedly have a tendency at times to reduce instead of increase consumption." Our senior had just returned from Europe and had had some practical experiences as to the effect of import restrictions and other artificial obstacles on the decrease in consumptive articles, which interfered very largely with international trade. He had in mind that before the last World War, importing nations had easily taken 200 million bu more wheat a year than they were taking in 1937 from exporting countries. While part of that was due to larger production abroad, it was mostly due to reduced consumption. Our letter further stated, "In our opinion, the problem of good farm prices will never be permanently solved until we find ways to increase our exports."

It is surely a fact that reserve supplies have been piling up now for many years. It is not surprising, therefore, that many discussions are heard in Washington as to the advisability of doing away with high farm loans and in their stead have a certificate plan, to see if the latter might work out more successfully and have fewer secondary consequences of an embarrassing nature. High loan prices for corn have been so tempting to the farmer that the hog population has been cut. Ordinarily, about 85% of the corn crop never leaves the county in which it is raised, and we have seen periods when corn was selling at rather low prices, and yet, either hogs or lard brought good returns; therefore, the farmer was enjoying prosperity. Formerly, of course, corn was raised largely for feeding purposes and not to be stored. With the government loan price up to 57¢ last year, many substitutes were used, corn was hoarded, and great distortions took place, many of which were not anticipated when the farm program was first being considered. The farmer is now speculating that a holding movement of hogs will take place, and he hopes that the heavy slaughter will soon end and that prices may finally advance.

In any case, many more uncertainties have been injected into situations, which might have been avoided if the government had simply paid a bounty to the producer instead of interfering with normal supply and demand. Our greatest problem has always been to find consumers and export outlets. Of course, during the War one cannot look for much relief in this direction, but we still believe that in peacetime, despite so many of the European countries being predominantly agricultural nations, heavier purchases on their part might bring us nearer to a solution. To accomplish this, it might mean that we would have to take more goods from European countries for the grain we would want them to take from us. This would require some educational work, and also great cooperation, but it does not seem to be an impossible task. It seems better than to try to improve our wealth by growing less, and under any economic system, we know that low incomes cannot be raised to a decent subsistence level by redistribution of income alone. What we actually need is more capital per capita, as is shown by past growth of industry and agriculture.

The visible supply showed only a moderate decrease of 1,303,000 bu; total stocks in all positions are 151 1/2 million bu, or about 29 million more than in 1939. There was a shrinkage in Chicago of 80,000 bu in local stocks.

With wonderful weather, moisture being quite general over most of the winter wheat areas, July wheat was under pressure. This in turn influenced nearer deliveries, except that December remained relatively firm, closing about 4¢ over May. From a statistical point of view, there is certainly nothing bullish in wheat, but whether we can expect extreme weakness until some of the impounded supplies are released, is still a question.

Corn was fractionally lower. There was an increase of nearly 2 million bu in the visible supply. This year's corn crop is of lower quality; with 12,000 cars inspected at representative markets, approximately 36% graded #4 or lower compared with only 5% in November 1939. This suggests that it may prove less easy to keep such large quantities on farms, and we might, therefore, have a freer movement.

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CHICAGO December 17, 1940.

News from Europe centers around the heavy British shipping losses for the week, as well as upon further successes on part of the English and the Greeks in the Mediterranean campaign. Meanwhile, we understand that Washington is buzzing with excitement due to the fact that great efforts will soon be made to speed up the re-armament program on all fronts. Whether the laws will soon be changed in order to grant more aid to Britain remains to be seen. Most observers believe they will.

When our market opened this morning, the carryover feeling was slightly bearish, and a few liquidating orders came into the pit, but immediately thereafter recoveries took place in corn and in the soybean market, at which time local support also appeared in the wheat pit.

There is nothing in the statistical situation on which to predicate purchases. Exports from this country continue at a very slow rate. In 23 weeks, we cleared about 16 million bu, and shall, therefore, have to look forward to having a big carryover reserve next July. Canada, since her season started, August 1st, has shipped less than 50 million bu of wheat and flour, and still has a balance for export and carryover of nearly 680 million bu. This quantity is so staggering that, together with a bumper crop in the Argentine, it suggests great difficulties for these two large surplus nations, particularly if normal crops are harvested again in North America next summer. The weather in our winter wheat belt has been extremely favorable, and many comment that the prospects are probably the best during the last ten or twelve years. In view of this, we may raise 800 to 850 million bu of spring and winter wheat next summer, with consumption probably not to exceed 700 million bu. Therefore, without an adequate export outlet, supplies will continue to pile up.

The administration must be fully aware of this, but yet, if farmers default on their loans and the government finally gets title to the grain, it is a question, with speculation at low ebb, and with milling demand just from hand to mouth, whether the wheat can be liquidated in order to be put back on the free market, except at great sacrifice. To hold it would simply delay the day of reckoning, and after the Farm Board episode, one would imagine that the experience gained through those operations might dictate a policy of trying to avoid a second disaster. However, nobody can forecast at this time what the outcome will be. Wheat loans cannot be sought after December 31st. Increases in the Southwest from week to week are so small that we are led to believe that most compliance farmers have taken advantage of their privileges. However, the four northwestern States, consisting of North Dakota, South Dakota, Montana, and Minnesota, now have slightly more than 104 million bu of wheat tied up --an increase of 2 1/2 million bu for the week, and since their harvest came at a later period than in the winter wheat belt, it seems likely that during the remaining few weeks more supplies will be frozen, particularly with the market at Minneapolis 5¢ under the loan level. We doubt whether the total at the peak will exceed our original estimate.

Primary receipts were 412,000 bu compared with 519,000 bu last week, and 490,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 134,000 bu. Trade was rather a dull affair. Milling demand was slightly improved and this meant removal of hedges from the pit and gave us a little impetus on the constructive side of the market. December wheat continued firm, closing 5/8¢ per bu higher; the May delivery advanced the same.

Corn futures were also in better demand. It was felt that on breaks the country movement dwindled to small proportions, and it took but a few buying orders to bring about moderate improvement.

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CHICAGO December 18, 1940

There was not a great deal of news from Europe overnight. London, of course, welcomed enthusiastically the President's proposals to lend or lease war materials to Great Britain. In Washington it was stated that the Chief Executive claimed the fundamental problem was not dollars, but munitions, and that it was in the interest of the United States to find ways of putting into Britain's hands the means necessary to shorten the war.

Great world events are having less influence upon markets here than at almost any time in history. Fluctuations are quite narrow, and while the statistical position of wheat is extremely bearish, both from a national and international point of view, chief interest centers on the 266 million bu of wheat that is presently impounded under the loan, and which may grow a little before end of December, when the program comes to a halt for this crop season. It also makes calculations extremely difficult between months.

The Stanford University, in their WHEAT STUDIES for January 1938, claimed that with the exception of the year 1931, when the May future was pegged, the July future has always gone to a premium over the May when the carryover on July 1st was in excess of 150 million bu. We called attention to this in February of 1938, because the May delivery had been selling at a pretty wide premium over July, but before expiration of the old-crop future, it finally went to a carrying charge. Since 1938, the rule has not worked particularly well, mostly because of artificial influences. In May 1939, May wheat was relatively strong compared to new crop futures, and the same was true in 1940, although on several occasions both May and July sold at the same price.

In a general way, we would say that conditions must be extremely artificial for the rule not to work, and that while there will be exceptions, it is quite natural that no milling or elevator concern will carry over supplies at a loss except in years of scarcity, unless of course, we have such a change in the economic setup that too much of the reserve supply is in the hands of the government and not available to the normal trade. At the moment, our May wheat is selling at a premium of about 5¢ over July, and the chances are that we shall have a carryover at the end of this crop year of 350 million bu or more. The government just today estimated the figure as high as 369 million bu, which would be approximately 85 million bu more than the previous season. In their calculations, they also call attention to the fact that at prices prevailing in November, an export indemnity of about 30¢ per bushel would be required to export wheat to Europe from Gulf ports, and 20¢ from Pacific Coast ports.

After the close of the market today, we shall have the final government report showing total wheat production for the season, but the changes are not expected to vary much from previous estimates. On Friday, the acreage of wheat and rye seeded for 1941 crops, and also, the condition, will be reported. Unless the latter is at great variance with reports issued recently by the private experts, it will probably not be much of a market factor.

Primary receipts were very light at only 173,000 bu, versus 272,000 bu last week, and 348,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 246,000 bu.

Despite continuation of favorable weather, our market was firm influenced by the strength in December wheat; also, sentiment was a little more friendly, because of the strength in corn and in soybeans, with the result that at the close the nearby future had advanced 1/4¢ per bu; May wheat was unchanged.

Corn was fairly strong; the primary movement was small. The weather has been bad; also, it seems that the farmer is a reluctant seller, except when the market here bulges. Therefore, for the time being, expect that fluctuations will range within narrow limits, and only advise purchases on good setbacks.

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CHICAGO December 19, 1940.

After the close of the market yesterday, the government issued a final report on wheat production for the 1940 season. The winter wheat crop was raised 33 million bu from preliminary estimates, but this does not tell the whole story. A year ago after the crop had been seeded, the condition was only 55% of normal and the outlook was for a crop not to exceed 400 million bu. However,, Nature was extremely provident, and a record recovery surprised scientists to the extent that we actually had a yield of 589 million bu, compared with the 10-year average of only 571 million bu. In spring wheat, there was a reduction of about 9 million bu from the earlier figure. However, the net result is very satisfactory, and from a statistical point of view, we now must contend with total production of 816 million bu. Since this is 24 million bu more, all other figures must be correspondingly revised upwards, including the final carryover next July; and one may assume now that it will be a record for all time.

Based on the government's older estimate of 369 million bu, if we add the addition to the crop of 24 million bu, there is the possibility that reserve stocks may be in the neighborhood of 393 million bu. The largest increase in the revision occurred in the State of Kansas, which, after all, is the wonder State. In good years it produces one-fourth of our domestic consumption. In 1931, the yield was 244 million bu; therefore, it was formerly a fact that a small or large crop in Kansas affected world's prices. At the present time surplus countries are so glutted with wheat, particularly Canada, that the usual factors do not count. However, it will be interesting to see what the acreage and the condition of the crop will be tomorrow, when another federal report will be issued covering these observations.

The country, despite acreage reductions, is now faced with production of many crops not only larger than had been expected, but farm production as a whole is the second largest on record, and yields are higher than ever before. Since present crops were harvested after three good years, supplies in some instances are higher than production figures alone would indicate, according to the Department of Agriculture.

In our humble opinion, the loan price is not a solution to the problems confronting us. It does, to be sure, afford better prices at times in the initial transactions, but it does not finally get grain into consumptive channels, despite the fact that the government has set up competitive bureaus, which use our facilities, but which apparently are not doing a better job of disposing of farmers' grain; nor have they operated on a lower margin of cost. This being the case, one can only be hopeful that recognition of these factors will give us changes in order to serve producers, millers, and the middleman in such a way that a ready market for grain will again be established. Certainly, we do not have normal conditions prevailing at this writing. With an enormous visible supply, and just having passed the peak of the movement, the open interest in all wheat contracts is down to 53,770,000 bu. The record low was 53,568,000 bu on June 23rd, 1936, but the latter was at the tail end of the season, when supplies and trade interest were naturally greatly reduced. Nobody can be expected to show great interest in wheat when artificial stimuli play such an important part.

Primaries in wheat were moderate --249,000 bu vs 392,000 bu last week, and 432,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 365,000 bu.

Even with the bearish government report, there was never any liquidation of importance. Early selling orders were quickly satisfied, and small rallies took place, with strength in December wheat a sustaining influence. At the last the nearby delivery was 1/4¢ per bu higher; May wheat was unchanged.

Corn was very little changed; an increase of 16 million bu in the crop had practically no influence.

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CHICAGO December 20, 1940.

News from Washington indicates that everything is being done to speed up armament production. The only decisive aid which thus far we could offer Britain was the use of facilities already at hand. The President approved the creation of a Special National Defense Council, and it seems that industry is cooperating fully with the program of attaining the highest efficiency in industrial production, with business brains being called in for general conference in order to get the best results. Of course, general business is benefiting by getting a fair return for its efforts, and thus can keep labor well employed at good wages.

It seems a paradox that the grain trade has never been called upon for similar cooperation, and no attempt was made to utilize fully the great facilities, which in the past had so ably helped to solve the agricultural problems. If our industry had been established upon unsound economic principles it never could have survived the test of time. Undoubtedly, many of the recent government experiments might have been less costly, and would finally have been more beneficial to the farmer had general discussions taken place at various times, and less indifference shown to the trade.

When our market opened, the trade was mostly influenced by further strength in December contracts, but actually the demand, both at home and abroad, is very disappointing. Chances for export are limited from here because of the tremendous surplus in Canada, and also a prospective near-record yield of all grain crops in the Argentine. We find that since August 1st, total world shipments to Europe are 66 million bu smaller than they were last year, while to ex-Europe they are 4 million bu less. Some allowance, of course, must be made for Australian clearances not included in these figures, owing to censorship; but in any case, with the British blockade effective, exporting countries are feeling the pinch.

The situation next July relating to free wheat, may not be as closely adjusted as some had figured. In any event, less than six months of the season has passed, and judging from premiums in various cash markets, there is still plenty of free wheat for most purposes. In Kansas, for instance, the crop was nearly 124 million bu, of which less than 47 million bu is impounded. In Oklahoma, 56 million bu was harvested, of which 20 million is tied up. In Missouri, the percentage is less, with only 8 1/2 million bu frozen, or roughly, 25% of what was raised. Even in Illinois, we find that less than one-third of the yield is under the loan. Therefore, as time goes on, actual users of wheat may be reluctant in making further purchases unless either a carrying charge develops from old to new crop, or a much healthier demand springs up.

After the close today, the government will estimate next year's acreage, as well as the condition of the plant. To be sure, some complaints in isolated localities are heard, but on the whole, there is general optimism. Reports indicate that all areas of Kansas received good snow during the past week, measuring from 4 to 12 inches. The Modern Miller points out that from a moisture standpoint the situation in the States which produce the bulk of the winter wheat crop is most favorable in some years. Statistics today did not count for much. The primary movement was 330,000 bu compared with 296,000 bu last week, and 556,000 bu last year. Kansas City, Duluth and Minneapolis stocks show a net increase of 377,000 bu. We shall probably have a small decrease in the visible supply on Monday. It will compare with the shrinkage last year of 1,766,000 bu.

There was not a great deal of feature to the market, except that December wheat was again a sustaining influence. However, the volume was small, and we find that the total open interest is 53,200,000 bu, or the lowest on record. Of course, this is not surprising with so much of the wheat impounded. At the last, December wheat showed an advance of 7/8¢ per bu; the May future was up 1/2¢.

There was very little feature to the corn market; there was some last-minute changing between December and May, but there was no decisive trend in either direction.

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CHICAGO December 23, 1940

Trading in December contracts ended last Saturday, and settlements through deliveries may now take place until the end of the month. The sharp premium at which December wheat expired over May would probably not have been possible, except for the heavy impoundings. This, however, has worked a great hardship upon hedgers who normally use our market in the merchandising of grain and shows how the artificial influences make it expensive to try to perform an economic function in routine marketing operations. Some reason that with the tightness displayed in December, the situation may be even worse next May. However, we do not agree necessarily with that type of thought. There is no law that compels elevators, millers, or procesors to carry a great deal of grain into the next crop with losses staring them in the face. There have been very few hedgers who had the opportunity of turning over their commitments to July since the new crop future was traded in, at least on a satisfactory basis. As a matter of fact, the entire open interest in July only amounts to about 15 million bu, so obviously, with a prospective carryover of close to 400 million bu, there will be lots of people who may decide to use the shovel and scrape up old supplies, if the May future remains at a substantial premium over new crop deliveries.

It is rather interesting to note that while the amount of frozen wheat increased slightly last week there were two states in the Southwest where the contrary took place, namely, Oklahoma and Texas, and even in Kansas the increase was very slight. Of course, with May wheat selling at about 84¢ a bu, it cannot be profitable for farmers to sell wheat on the market and pay off their obligations; therefore, without some price enhancement, we may end up with 275 million bu finally impounded. Even if that did take place, however, it would leave around 100 million bu of free wheat; therefore, the adjustment may not be quite so close as some have anticipated it would be.

European news had very little effect upon the market. Italy has sustained further losses, both in Egypt and in Albania. Both German and British bomber planes have been hammering at each other, mostly in the industrial sections, with considerable damage being claimed by each side.

Statistics did not count for much either. World's grain shipments were in the neighborhood of 5 million bu, or much the same as last week, but a year ago 9 million bu were placed afloat. There seems to be little likelihood of any great improvement while theblockade is in effect, and it seems that shipping losses during the past week were about 33% less than the week before, but nobody can say for sure how much grain has been lost, as news of this kind is carefully censored. China has recently made purchases of wheat and flour, but Canada benefited mostly from these transactions, and shipments will be taken care of from Vancouver.

Primaries were slightly larger than last week; a year ago there was a holiday. The visible supply showed a decrease of 1 1/2 million bu. However, total stocks in all positions amount to 150 million bu, or roughly 29 million bu more than was on hand a year ago. At Chicago there was a shrinkage of 154,000 bu.

Trade was dull, in fact, considerably smaller than on Saturday. The whole open interest is only 50 million bu, something unheard of, and it can only be explained by the artificiality which exists. After some declines recoveries set in, with May wheat 1/4¢ per bu higher; July wheat was up the same; September, quoted for the first time, was about even money with the July.

Corn was indifferent. Weather in some sections has been wet, delaying the movement. This is particularly true in the Northwest. There seems to be no immediate trend at this time.

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CHICAGO December 24, 1940

WE WISH YOU ALL A VERY MERRY CHRISTMAS!

It is the spirit of faith and good will that makes this holiday so enjoyable in this country. In our particular business we share the thought of other grain men that we can only be happy when the farmer prospers. There are many economists who are quite optimistic about the future of the farmer. They point to the fact that his income is likely to reach $10 1/2 billion in 1942. This would be the same percentage of the national income that he now enjoys. There may be many plans and experiments tried in Washington in an attempt to secure for him a bigger share of the national income, but one thing is certain, namely, that no real unanimity of thought exists among farm organizations on any new program. The truth of the matter is that any scheme intended to alleviate all ills just can not be produced. The farmers know this and realize that just as in the past what they need more than anything else is increased consumption or greater exports. The American farmer has always loved his land and the freedom of doing with it what he wanted.

Our market today was firm, and there is an old adage that any traders who is short over Christmas generally fails to enjoy the holiday. It is not mere superstition,because it often happens that lack of pressure together with a few buying orders usually gives us impetus on the constructive side of the market, which sometimes lasts until January 10th, this ordinarily being the calendar period for selling. We are hardly ever faced with crop scares until March or April, and this year it is particularly true because of the plentiful moisture that gave the plant such a wonderful start. Of course, it is more difficult than ever to follow a pattern in view of the fact that we haveso many artificial influences; nevertheless, fundamentals generally win out, and with world statistics so bearish it occurs to us that caution must be exercised on sharp advances.

While trade continued very light, the undertone was firm; possibly a slightly better stock market together with strength in corn, and a sharp advance in soybeans influenced sentiment. The close showed an advance of about 1¢ per bu over the previous session.

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CHICAGO December 26, 1940.

Reports from across the water confirm the unofficial Christmas truce in the air, and Berlin stated that there were no particular events. Meanwhile, Athens claimed that Greek troops had won smashing new victories, despite attempted counterattacks by the Italians.

When our market opened there was no particular pressure-- the trade was imbued with the fact that for several weeks farmers had displayed a holding tendency, and with a little better milling demand there was some buying in the pits, but it was feeble compared to any bullish demonstrations that we have had in past years during the holiday period. There is one thing that has been rather definitely established by the various governmemtal programs, namely, that inducing the producer to hold his product has caused markets to contract and not expand. What this means in the final analysis remains to be seen, but it is our opinion that the approach is not sound. Furthermore, the last government report has borne out the theory that when the farmer is compelled to cut acreage, he will cultivate more intensively, and this was brought home to us rather strikingly during the past year, when winter wheat, despite an adverse start, was able to make a phenomenal recovery. Much of the acreage in the Great Plains states was seeded last fall in dry ground, and seeding operations which were deferred awaiting moisture, were continued into January, February, and March, in parts of this area. According to the Department of Agriculture, both "dusted in" fall seedings, and the acreage seeded late came into the spring with poor and uneven stands and inadequate root systems. In many instances the wheat had not aprouted or had not appeared above the ground by early April.

With such an unpromising start, the abandonment was only 17.5%, which was slightly lower than the year before, and the same as the ten-year average. A yield of 16.3 bu per harvested acre compared with the average of only 14.3 bu per acre. Of course, unusually good weather was beneficial, but undoubtedly the increased use of fertilizer and improved methods of farming were also responsible for heavier production. Weather this past fall has been almost ideal for the best development of the crop, and under the circumstances, we might expect that yields next summer will be very gratifying, but the essential need is to get crops into consumption and not to figure out methods of storing them on farms. The easiest way, of course, would be for the government to renew loans when they fall due, but this would simply delay the day of reckoning and would be far from solving a great problem.

In 25 weeks we have exported 18 1/4 million bu of wheat and flour, suggesting that clearances may be somewhat heavier than the government's earlier estimate. At the present time, there is a balance for carryover and shipment of 397 million bu, allowing for a domestic disappearance of 685 million bu. The situation in Canada is much worse, with 673 million bu available for export or next carryover; therefore, North America is faced with larger reserve stocks than anything history has yet recorded.

Primaries over the holiday were 467,000 bu compared with 249,000 bu last week, and 395,000 bu last year. Kansas City and Minneapolis stocks show a net decrease so far this week of 160,000 bu.

Advances and declines were about evenly divided. The entire open interest in wheat is down to 50 million bu; therefore, small orders caused greater fluctuations than in normal times. At the last May wheat was 1/4¢ per bu higher; July was unchanged.

Trade in corn was likewise an uninteresting affair. We note that on Tuesday less than 1 1/2 million bu were traded in the pit. The chances are that today's activity was no greater. The situation remains artificial.

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CHICAGO Dec. 27, 1940.

Ordinarily Southern Hemisphere prospects play a rather important role in our grain markets at this season of the year. With so many artificial stimuli, one hardly hears about crop progress in either Argentina or Australia. The latter country has started to harvest a crop which will yield about 92 million bu, after one of the most prolonged droughts that was experienced in that country since 1919, when the wheat harvest was only 45 million bu. The small crop of this year will be augmented by a carryover of about 60 million bu, assuming that the sales to Britain of last year will finally all be cleared. It seems to be the general opinion that with a larger quantity used domestically for feeding to animals, and with some further sales to Britain, the Wheat Board will experience no particular difficulty this season. In Argentina, the picture is a little different. Should the last government estimate of 294 million bu not prove too optimistic, and figuring on a local consumption, including feed, seed, etc., of 100 million bu, there will be quite an abundance of grain for Europe, even granting that Brazil and some of the other South American countries will take as much as 45 million bu this year. Therefore, it remains to be seen, with shipping difficulties and the long haul, how much the Argentine can dispose of.

England has already purchased about 7 million bu of Argentine new wheat for mixing with the stronger varieties presently being imported from Canada. Mr. Gardiner, the Canadian Secretary, recently disclosed the fact that Canada was supplying about 70% of Great Britain's wheat requirements, but it seems that even the volume of these export sales can hardly counteract the weight of the movement from the country, and supplies are coming forward rather slowly, as storage space becomes available.

In our own country, the wheat plant is practically dormant, but according to the official government weekly report, weather continued generally favorable for winter wheat during the past week. In Kansas, the plant has shown some greening up, with prospects better than for a considerable number of years. South of Kansas, the progress was good, and the recent condition figure substantiated these claims.

Our market started on a firm basis. The carryover feeling from yesterday was moderately bullish, particularly for the May delivery, and almost all the locals are looking for a further premium of the nearby month over new-crop deliveries on the theory that it will take a higher price to attract impounded supplies. With the Northwest reporting a better milling demand for a single day than had occurred in several weeks, hedges were taken out of the market, and this gave us an early bulge, although volume of trade was disappointingly light.

Primary receipts were very light, at 225,000 bu compared with 330,000 bu last week, and 329,000 bu last year. Stocks at Kansas City, Duluth and Minneapolis showed a net decrease of 237,000 bu. We are apt to have a small shrinkage in the visible supply on Monday; it will compare with a decrease last year of 2,086,000 bu.

There was very little feature to our market today, but with pressure being so light there was never any sustained weakness. It seems likely that some of the May longs occasionally are hedging their position by sales of either July or September wheat, and present differences are about the widest they have been at any time. At the close May wheat was unchanged; new-crop months were a shade lower.

Corn was in slightly better demand. The movement is disappointing for the season of the year; ordinarily accumulations take place, but this situation is so highly artificial that with the high loan price, everything is different, and instead of having carrying charges the reverse is true. There was apparently a little corn covered in the pit, but no great volume, nor much activity.

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CHICAGO December 30, 1940.

The President's radio address last night claimed that we were facing a new crisis, but that we would meet the issue of this new threat to the security of our nation with the same courage and realism that we have met all other issues in the past. His pronounced views must have given comfort to Britain, who finds herself in an obscure and dangerous situation, fighting a lone contest against two of Europe's strongest powers, threatened by a third big power in Asia, and a third dictator state in Europe. Now, however, she is comforted by the non-belligerent assistance of the United States, with our defense program driving forward in full swing, even to the extent that we may abandon machinery now engaged in the production of luxury goods.

The stock market was somewhat higher, and this, together with the bullish carryover feeling, gave us firmness when our grain market opened. Of late, there has been a better milling demand, and one of the larger mills in the Northwest claimed that the improvement was still in progress, which undoubtedly meant the removal of hedges both at Minneapolis and here.

When traders reached their offices today, they also found another item of news, with the Department of Agriculture announcing that the CCC would take delivery of all unredeemed 1940 wheat and barley stored in warehouses when the loans on these commodities matured within the next four months. There had been some who reasoned that extensions to loans might be made to producers. However, such is not the case. It is a fact, however, that the Commodity Credit Corporation anticipates that, insofar as practicable, it will not sell any 1940 crop wheat that is in good condition, except at prices not less than loan values, plus charges. By inference, we take it that if the government can get out of the wheat that it might take on default without a loss, it will attempt to merchandise it and place it back into the regular trade channels. This being the case, there is undoubtedly a ceiling over our market, particularly since cash wheat here in Chicago is bringing a substantial premium over the May delivery; we do not believe that the market would have to advance much before redemptions could take place. It is also assumed that a small part of the wheat may be disposed of by the Surplus Marketing Administration in export channels and in relief distribution. Some wheat may also be sold or transferred to the Crop Insurance Corporation, or to other government agencies, but the amount would only be a small portion of the total. There is approximately 221 million bu under the loan now in warehouse storage. The balance, comprising 47 million bu, is stored on the farms.

We note that during the week, there was hardly any increase in the impoundings of the four important Southwestern States. In the spring wheat areas (and we refer now to North Dakota, South Dakota, Montana and Minnesota), the amount of frozen wheat increased only 1/2 million bu; therefore, we have probably seen almost the peak of accumulations. To expect any real pressure upon the market for the next few weeks, one might have to assume that a greater percentage of this sealed wheat would have to come back into free supplies; therefore, the situation should be carefully watched.

Primary receipts were 362,000 bu compared with 448,000 bu last week; last year there was a holiday. The visible supply decreased a little less than 1 1/2 million bu; total stocks in all positions are 148 1/2 million bu, or roughly 30 million bu more than in 1939. At Chicago there was practically no change; there is 11,871,000 bu here.

The early bulge was not maintained, as many people figure there is a limit to how high wheat prices might go, as frozen supplies are apt to be sold on further advances from present levels. According to Washington advices, winter wheat prospects continue unusually favorable, beneficial showers were received over most of the belt during the week, and while snow covering has disappeared, the crop would only be damaged if sharp freezes occurred.

Despite this, the deferred months were relatively the strongest; at the last May wheat was 1/8¢ per bu lower; the July delivery advanced 3/8¢ per bu.

Corn was firm at times, but, as in wheat, best prices did not hold. Receipts, however, remain light, and no accumulations of importance are taking place. There was a fairly large business from Chicago, but bookings to this market were small considering it is the period of the year when ordinarily the farmer is a willing seller.